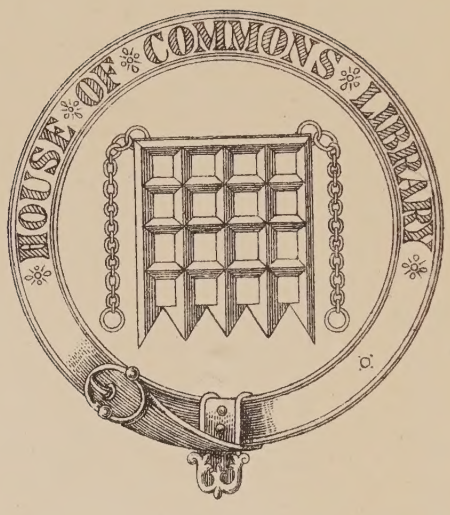

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NOTES ON MALTHUS

DAVID RICARDO

NOTES ON MALTHUS'

"PRINCIPLES OF POLITICAL ECONOMY"

BY

DAVID RICARDO

Edited with an introduction and notes

BY

JACOB H. HOLLANDER

AND

T. E. GREGORY

1928

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PREFACE

In the preparation of the volume, distance has deprived the Editors of the satisfaction of continuing collaboration. Professor Gregory has compiled the summaries of Malthus' text. Professor Hollander has written the Editor's Introduction.

The Editors join in appreciation of the courtesy of Mr. Frank Ricardo of Bure Homage, Christchurch, Hants., in permitting the publication of the MS.

EDITOR'S INTRODUCTION

For almost a century Ricardo's "Notes on Malthus' Principles of Political Economy" has been a composition, tantalizingly missing and much desired by all students of the classical political economy.

In 1837 Empson gave the first intimation that such a critique had been prepared, by citing, in his review of the posthumous second edition of Malthus' "Political Economy" published in the *Edinburgh Review*, a section from Ricardo's letter to Malthus, of November 24, 1820:

> "I have made notes on every passage in your book which I dispute, and have supposed myself about publishing a new edition of your work, and at liberty to mark the passage, with a reference to a note at the bottom of the page. I have in fact quoted three or four words of a sentence, noting the page, and then added my comment." [1]

The full text of the letter remained unpublished until the appearance of the body of Ricardo's letters to Malthus, under Dr. Bonar's editorship in 1887; and Empson's citation passed unnoticed, or at least excited no interest.

Eight years later, in 1845, in his "Literature of Political Economy," John Ramsay McCulloch, to whom Ricardo's performance was from the first known, as will hereafter appear, made inconspicuous reference to it as part of a depreciative estimate of Malthus' "Political Economy":

> "Mr. Ricardo left a manuscript volume of observations on this work, principally in reply to the interminable criticisms of Mr. Malthus on his peculiar doctrines." [2]

This allusion was restated more definitely and more conspicuously by McCulloch a year later, in his memoir of "The Life and Writings of Mr. Ricardo," prefixed to his edition of Ricardo's "Works" published in that year:

> "He also left '*Notes*' on Mr Malthus's Principles of Political Economy; containing a vindication of his own doctrines from the objections of Mr Malthus, and showing the mistakes into which he conceives Mr M. had fallen. But we doubt whether they have sufficient interest to warrant their publication." [3]

[1] *Edinburgh Review*, January, 1837, p. 471.
[2] Page 18.
[3] Page xxxi; the passage is retained in the memoir as issued separately, and also as included in the two editions of McCulloch's "Essays and Treatises."

The tenor of McCulloch's last sentence suggests that the "Notes" were at that time within his editorial reach, and that like the collections of Ricardo's letters to McCulloch and perhaps those addressed to Hutches Trower, the commentary was purposely omitted from the edition of Ricardo's "Works."

McCulloch's efforts as biographer and as editor satisfied the waning interest in the life and the work of Ricardo for the next forty years. With the rebound from the vogue of anti-Ricardianism, there developed in the eighties a revival of interest in Ricardo's work, associated with the studies of Marshall, Bonar and Patten. It is to this "rehabilitation of Ricardo," as the late Professor Ashley designated it in 1891, and in particular to the inquiries of Bonar and Patten, that the present writer owes his interest in the Ricardian economics.

A visit to England in 1895 in search of additional material, the existence of which was intimated—the "Notes" and the correspondence with Mill and McCulloch—resulted in bringing to light Ricardo's letters to McCulloch and to Hutches Trower. A letter of Ricardo to Trower of November 26, 1820, afforded information for the first time as to the character of the "Notes," by specimen citations (p. xv, *infra*). Representatives of the Ricardo family were at that time kind enough to make search for the "Notes," but without result.

In the edition of Ricardo's letters to McCulloch, published in 1895, the various references to the "Notes" were assembled; and in the edition of Ricardo's letters to Trower, published in 1899, it was stated:

> "Two appreciable *desiderata* still remain—literary evidence of his long and close intimacy with James Mill, and the important 'Notes on Malthus,' to which frequent reference is made in the following pages. Inquiry in various directions has failed to reveal the existence of either collection. Until some fortunate accident or more successful search brings to light the additional sources, it seems likely that our acquaintance both with Ricardo's personality and with his economic system will be based upon the material now in the hands of the public."[4]

In 1904, in tracing the development of Ricardo's theory of values, the present writer noted:

> "It is likely that in the detailed *Notes on Malthus*, written in the autumn of 1820, Ricardo fulfilled something of the intention herein expressed. But, yielding to the counsel of McCulloch

[4] Page xiv.

> and Mill to avoid giving his treatise too controversial a character, this commentary was withheld from publication, and the missing manuscript still remains a conspicuous desideratum in the study of Ricardo's mental history." [5]

Finally, in a centenary estimate of the life and work of Ricardo, published in 1910, use was made, with seeming finality of the phrase: "the lost 'Notes on Malthus.'" [6]

In 1919, fortunate accident brought the missing manuscript to light. The circumstances are described in a letter (October 28, 1925) to the writer from Mr. Frank Ricardo, of Bure Homage, Christchurch, Hants.—a great-grandson of the economist—from which it is permitted to quote:

> "It was, I think, in the autumn of 1919—or may be the spring—that I was going through some furniture stored in a lumber room at Bromesberrow, and I came upon this MS. wrapped in brown paper and casually put away in a box together with some old ornaments. I recognized it as an original MS. of David Ricardo but whether it had been published I did not then know."

It is possible to trace with exactness, from Ricardo's letters to Malthus, McCulloch and Trower, the circumstances under which the "Notes" were written.

The project of an economic treatise, probably entertained for some years before, took definite shape in Malthus' mind in 1817. The East India College controversy had ceased to claim "an undue proportion" [7] of his attention and the "Additions to the Fourth and Former Editions of an Essay on the Principle of Population" was off his hands. More important, Ricardo's intention of "putting my thoughts on paper, on the subjects which have often passed under our discussion," had crystallized and John Murray had issued "On the Principles of Political Economy and Taxation."

Regular correspondence had kept Malthus advised of the progress of Ricardo's work, and Ricardo had submitted to him the manuscript of the concluding chapter ('Mr. Malthus's Opinions on Rent') "that I might not inadvertently misreprint your statement," [8] and had inserted (p. 573, note) as a foot-note without "the least objection," [9] an explanatory observation of Malthus.

[5] *Quarterly Journal of Economics*, August 1904, p. 484.
[6] Page 55.
[7] "Letters to Malthus," p. 132; the "Statements respecting the East India College" appeared in January, 1817 (*ibid.*, p. 126).
[8] *Ibid.*, p. 135; cf. p. 132. [9] *Ibid.*, p. 135.

Ricardo's "Principles" could not fail to stir so doughty a champion as Malthus. Ricardo apparently thought otherwise: "When you see my book altogether," he wrote, as the "Principles" was passing through the press, "you will not perhaps differ from me so much as you now think you do. . . On some points, indeed, there is no difference between us, and on others our chief disagreement would be in the mode of representing them." [10] But this was clearly too optimistic a view. Ricardo's "Principles" not only renewed opinions which had been controverted in correspondence between the two, but criticized with explicit detail certain of Malthus' characteristic doctrines. Before the end of the year Malthus had written Ricardo that 'another volume' might be expected from his pen, and had sought assistance, unavailingly, in the selection of 'a good title.' [11]

By the following summer Malthus, although complaining that he had 'not made any great progress in the work that he was about,' had read a part of the new manuscript to Ricardo who 'differed very little from the opinions expressed,' but added cautiously: "I wish to have an opportunity of judging of your system as a whole, and therefore shall be glad when it comes forth in its printed form." [12]

Composition proceeded slowly. It is likely, as Dr. Bonar has suggested,[13] that deference for Ricardo's authority as to the important points in controversy, notably the nature and measure of value, was in some degree responsible for the delay. On September 21, 1819, Ricardo wrote to Malthus lightly: "I am glad that you are proceeding merrily with your work. I now have hopes it will be finished. You have been very indolent, and are not half so industrious nor so anxious as I am when I have anything on hand." [14]

The end was, however, then in sight. On November 8, 1819 Ricardo could write "I am glad to hear that your book will be so soon in the press," noting his regret that "the most important part of the conclusions from the principles which you endeavour to elucidate will not be included in it, I mean taxation," and adding the hope that "As soon as you have launched your present work . . . you will immediately prepare to give us your thoughts on a subject in which we are all practically interested." [15]

[10] *Ibid.*, p. 135.
[11] *Ibid.*, p. 145.
[12] *Ibid.*, pp. 155-6.
[13] *Ibid.*, p. 159.
[14] *Ibid.*, p. 158.
[15] *Ibid.*, pp. 164-5.

The "Introduction" to Malthus' work is dated December 1, 1819; but the press work was delayed and not until, probably, April, did the book itself appear with John Murray's imprint, bearing the seemingly conventional but really noteworthy title: "Principles of Political Economy Considered with a View to their Practical Application."

A gap in the series of letters of Ricardo to Malthus deprives us of Ricardo's first reaction to the early copy of the "Political Economy" that came to him from the author. We may be sure that it was more than a perfunctory acknowledgment. In March, 1920 Ricardo had visited Malthus at Haileybury and had been shewn the chapter of the new work—probably 'On the Immediate Causes of the Progress of Wealth' (cf. *infra,* p. lxxvi) —"perhaps that in which his difference with me is most particularly noticed"—and had reported to McCulloch "I am an interested judge and my decision must be received accordingly. To me it appeared to offer no objections which might not be easily disposed of."[16] A week later (April 6, 1820), Ricardo had responded to McCulloch's request: "When I have read Mr. Malthus' book I will make known to you my opinion on the passages which will be found in it in opposition to our theory. I am flattered by the request." His further comment was significant: "Since we have known each other, we have always freely discussed each other's opinions, and it is a subject of wonder to our friends that after the innumerable contests we have had together, there should still be such serious differences between us."

Between April 6 and May 2, 1820, Malthus' "Political Economy" was read by Ricardo, "rather in haste, and after different intervals of time," as he acknowledged to McCulloch; "with great attention," as he declared more politely to Malthus. On May 4, 1820, after this first perusal, Ricardo wrote to Malthus with considerable fulness as to the matters in issue, but with much cordiality. "I need not say that there are many parts of it in which I quite agree with you"; after this, the often-quoted passage: "Our differences may in some respects, I think, be ascribed to your considering my book as more practical than I intended it to be. My object was to elucidate principles, and to do this I imagined strong cases that I might show the operation of those principles."[17]

[16] "Letters to McCulloch," p. 59.

[17] "Letters to Malthus," pp. 166-7.

Malthus' work had been immediately reviewed by McCulloch in the *Scotsman,* and this notice, in the main a strong vindication of Ricardo's measure of value done "with the greatest civility and good humor," was the occasion of Ricardo's freer criticism of Malthus' performance. "I perceive with much satisfaction that you have with your usual ability met Mr. Malthus on what I consider his strongest ground" (the subject of value), Ricardo wrote in a lengthy letter to McCulloch under date of May 2, 1820. There followed a defence of the controverted doctrines—the measure of value, the impossibility of glut, the nature of rent—and in conclusion: "I thought of noticing the particular points on which Mr. M. and I differ, and to have offered some defence for my opinions, but I should have little else to do but to restate the arguments in my book, for I do not think he has touched them."[18] Finally: "These are all the observations which I intend making on Mr. Malthus' work. If you should write any remarks upon it, I should very much like to see them, and should without scruple say to you whatever might occur to me on perusing them. At present I feel a real difficulty, for I confess I do not very clearly perceive what Mr. Malthus' system is."[19]

It was evident, however, that this intention to abstain from further criticism was not likely to remain unchanged. "I have read his book rather in haste," he had added, "and after different intervals of time, so that I have not strictly done it justice. I mean to go over it carefully again."[20] The opportunity came in the enforced leisure of a mid-summer visit to the sea-side. "Since I have been here I have been giving a second reading to Mr. Malthus' book," Ricardo wrote from Brighton to McCulloch, on August 2, 1820, "I am even less pleased with it than I was at first. There is hardly a page which does not contain some fallacy."[21]

Correspondence with Trower, McCulloch and Malthus himself in the succeeding weeks turned upon specific differences. Probably more important in encouraging the idea of a detailed critique was the month's visit of James Mill to Gatcomb shortly after Ricardo's return from Brighton,[22] during which the project of Mill's non-controversial "Elements of Political Economy" was conceived or developed: "He has it in contemplation to write a popular work on Political Economy, in which he will explain

[18] "Letters to McCulloch," p. 65.
[19] *Ibid.*, p. 68.
[20] *Ibid.*, p. 68.
[21] *Ibid.*, p. 77.
[22] "Letters to Trower," p. 117.

the principles which he thinks correct in the most familiar way for the use of learners. It is not his intention to notice any person's opinions or to enter into a controversy on the disputed points." [23]

On September 4, 1820 Ricardo apprized Malthus of the intention, then forming, of an independent commentary:

> "I have been looking over my first chapter with a view to make a few alterations in it before the work goes to another edition. I find my task very difficult, but I hope I shall make my opinions more clear and intelligible. I did intend to defend myself against some of your attacks, but on reflection I think that, to do myself justice, I must say so much that I should very inconveniently enlarge the size of my book, besides which I should be constantly drawing my readers' attention from the proper subject. If I defend myself at all, I must do it in a separate publication." [24]

The commentary, probably then under way, proceeded with great rapidity and two months later the work was complete. On November 23, 1820 Ricardo wrote to McCulloch:

> "I have been employed for some little time in writing notes on Mr. Malthus' last work, which as yet I have shewn to no one. Indeed I fear that none but the initiated would understand them, and even they would think it a heavy task to get through them; for I have, wherever I met with a passage on which I wished to animadvert, quoted the page, and the first few words of the passage, and then have written my short comment. If the criticism were just, and the principles I advocate correct, still it would not I think be desirable to publish it; first *(sic)*, because Mr. Malthus' book, I am told, has not excited much interest, and these dry and perhaps not very clearly expressed comments upon it, will excite still less. You once asked me to send you any remarks that I might have to make on Mr. Malthus' work, and if you would look at the first few pages of these notes, without thinking that I made an unreasonable demand I would now do so. There is I fear too much of repetition. From this fault I could not escape, for it is the great error of the work upon which I have been commenting. I doubt whether you will be able to read it, for I have not taken a fair copy of it, and it is full of interlineations." [25]

A letter to Hutches Trower, three days later, repeated the same particulars, cited sample "Notes" [26] so that "you will from it be able to judge how little interest general readers would take in such a performance," [27] and added:

[23] "Letters to Malthus," p. 172.
[24] "Letters to Malthus," p. 172.
[25] "Letters to McCulloch," pp. 83-4.
[26] Nos. 103, 128; cf. pp. 32, 40, *infra*.
[27] "Letters to Trower," p. 136.

> "The whole might occupy about 150 pages if printed. It is not however probable that I shall publish them, because they are not in an inviting form, and consequently would have few readers." [28]

In between the two foregoing, Ricardo wrote (November 24, 1820) to Malthus himself giving the same account:

> "I have made notes on every passage in your book which I dispute, and have supposed myself about publishing a new edition of your work, and at liberty to mark the passage with reference to a note at the bottom of the page. I have in fact quoted three or four words of a sentence noting the page, and then added my comment." [29]

Ricardo, in informing him of what he had done (November 23, 1820), had asked McCulloch to read the "Notes":

> "Let me hear from you whether you have any wish to look over my speculations. You may probably be very much engaged at this time, and I cannot promise you any novelty; it is but the old story repeated. I calculate that all I have written would not fill more than 150 pages." [30]

McCulloch assented heartily and Ricardo arranged to send the MS. to Edinburgh,

> "most implicitly trusting, that you will after you have read it give me your candid opinion of it, with such remarks as may occur to you. The style you will find miserably bad, but that is a fault from which I cannot free any performance of mine, and all I dare ask of you is to point out to me any glaring error that may offer itself to your notice." [31]

The sending of the MS. was delayed by an anticipated visit to Gatcomb of Malthus, who "should much like to see my remarks on his work before he publishes another edition." [32] Malthus' visit was, however, in turn delayed and threatened to be prevented by a sister's illness,[33] and on December 13, 1820 Ricardo sent the "Notes" to London, to be forwarded thence to Edinburgh:

> "I will no longer delay sending you my papers. On casting my eye over them, I almost regret having mentioned them to

[28] *Ibid.*, 130. "I have also added a few comments on M. Say's letter to Malthus," Ricardo wrote. But such "comments" must have subsequently been removed; certainly they are not included in the MS. as preserved.
[29] "Letters to Malthus," p. 178; this is the passage cited by Empson in 1837 (p. ix, *supra*).
[30] "Letters to McCulloch," p. 85.
[31] *Ibid.*, pp. 86-7.
[32] *Ibid.*, p. 86.
[33] *Ibid.*, p. 89; "Letters to Trower," p. 141.

you, for they are I am sure too insignificant to permit the employment of your time for so long a period, as will be requisite for you to look them over." [84]

Eventually Malthus' visit transpired. "I have lately had a visit here from Malthus," Ricardo wrote to Trower under date of January 14, 1821:

> "he came with the expectation of seeing my notes and he would have seen them had he not after engaging to come to me, been detained in town by the illness of his sister, which made him think that his visit to me must be put off altogether. Before I knew of his coming I had engaged to send the notes to McCulloch, and detained them when I had reason to expect him, but finally sent them off when I despaired of seeing him. While here he was as good natured and agreeable as ever. We spent many hours of each day in discussion, the result of which was only to understand more clearly the points of difference between us. He must be as well acquainted with my objections to his work as if he had read my notes themselves, for I believe there was not one which I forgot to urge, but he is still desirous of seeing the notes. I have promised to pay him a visit, with them, as soon as they are returned to me." [85]

McCulloch read the MS. slowly:

> "My remarks on Malthus's work have been sometime with McCulloch, who long ago requested me to shew him any observations I might make on Malthus's book. I am desirous of having his opinion on the remarks themselves as well as on the expediency of publishing them. I expect soon to hear from him and to have my papers returned to me. Although they are in a very rough form, you shall see them if they possess the least interest in your estimation. Your opinion, I perceive, is in favor of publishing them as an appendix to a new edition of my 'Principles of Political Economy.' That was the form in which I at first had an idea of giving them to the public, but I was strongly dissuaded from it by Mill, who thought I ought by all means to avoid giving too controversial a character to my book, and indeed he advises me not to notice any of the attacks which have been made upon me, in my third edition, which will I apprehend be printed soon after I get to London. I shall not urge the objection which you appear to anticipate, that the new modelling of my book is a work of time and labor—I should not grudge however much of these [I] should be called upon to bestow on it, if I thought I could give it a better chance of success, either with the present race, or any future race of Political Economists. I have carefully looked over every part of it, and with my limited powers of composition I am convinced I can do very little to improve it. When Mill, McCulloch, Malthus, and you have seen these notes of mine, and have given me your opinions

[84] "Letters to McCulloch," p. 89. [85] "Letters to Trower," pp. 141-2.

of them, I shall know what to resolve upon respecting the mode of disposing of them. Perhaps the fire will be the proper place to which to consign them.' [36]

Ten days later word came from McCulloch, evidently as unfavorable to publication in its then form as Mill's. On January 25, 1821, Ricardo wrote in acknowledgement:

" . . . my sincere thanks for the very candid and friendly manner in which you have given me your opinion of my papers. You may be assured that it has the greatest weight with me, and confirms the view which I myself took of the inexpediency of publishing my notes on Mr. Malthus' work. For the present I shall do nothing with them. I cannot spare time to try to extract what may be most useful in them, and put it in the form which you advise. . . ." [37]

From McCulloch, the "Notes" were sent by Ricardo to Malthus, with whom the MS. remained through February, 1821. On March 2, 1821, Ricardo wrote to Trower:

"Mr. Malthus has now had my notes for five weeks—he has been interrupted in the examination of them by the death of Mr. Dalton, a friend of his in Lincolnshire, to whose funeral he was obliged to go. I expect to see him in London next week at which time he will no doubt return me my MS. I am glad that you speak with approbation of the spirit in which I carry on the contest with Mr. Malthus—I always wish him to see what I have to say against his opinions before I publish them *(sic)*, that I may be sure that I have not misunderstood him, and therefore not misrepresented him. He certainly has not done the same thing to me, and has, I am sure, without intending it, misrepresented me in many important particulars." [38]

A long gap (November 29, 1820 to July 9, 1821) in the series of letters of Ricardo to Malthus again deprives us of succeeding particulars. A letter to McCulloch of April 25, 1821 suggests that during this time the MS. slumbered in Malthus' possession: "Mr. Malthus' second edition will not appear for the present. He has had my notes ever since you returned them, but I fear they have made very little impression on him." [39]

Malthus' perusal eventually finished, the "Notes" were sent to Trower. His final judgment was probably not different from the others—approval of content, disapproval of publication:

"I am glad that you think I have vindicated my book against Malthus's attacks, in my notes—if I have not, it is owing to my

[36] "Letters to Trower," pp. 140-1.
[37] "Letters to McCulloch," pp. 93-4.
[38] "Letters to Trower," pp. 143-4.
[39] "Letters to McCulloch," p. 104.

weakness, and not to his strength, for I am quite sure that his book abounds with inconsistencies and contradictions." [40]

With this the fate of the "Notes" was determined. Ricardo's third edition had appeared; he had become absorbed in the work of the Agricultural Committee, and the MS. had lost so much in timeliness and controversial interest as to induce acquiescence in the opinion of his advisers.

A final reference in Ricardo's correspondence to the "Notes" is contained in a letter to McCulloch of January 3, 1822, indicating that the MS. was again sent to Edinburgh:

> "Your letter reached me a few days ago, and as I had a favorable opportunity of sending the notes on Mr. Malthus' book, for which you ask, to London on the day that I received your letter, I immediately dispatched them, and I have no doubt that ere this you will have had them." [41]

Whether the MS. was soon thereafter returned to Ricardo, or was retained by McCulloch until some period after Ricardo's death on September 12, 1823 and then restored to the family, is uncertain. Eventually it found its way to Bromesberrow Place, Ledbury, the country seat of Osman Ricardo, the economist's eldest son, to remain undisturbed until brought to light in the manner described above.

The MS. itself consists of a title page—reproduced here in facsimile—and 222 unruled sheets (4¾ x 7¾ in.), written on both sides and numbered consecutively as to folios (1-412), with occasional omissions and duplications in pagination. It is unbound, but protected for carriage by board backs, torn from a discarded book, with a few pencil jottings on the inner side, in another hand.[42]

The MS. is clearly a rough copy. "I doubt whether you will be able to read it, for I have not taken a fair copy of it, and it is full of interlineations"—Ricardo wrote to McCulloch, with some exaggeration, in submitting the "Notes" for scrutiny.[43] Deletions and insertions, as indicated in the reprinted text, abound.

[40] "Letters to Trower," p. 151.
[41] "Letters to McCulloch, pp. 117-8.
[42] The page references are to the MS.:
"p. 349—On subdivision of property among children
372—Foreign trade does not augment value
137—Rent comes all out of profits
154—Reduction in cost of production never goes to rent."
[43] *Supra*, p. xv.

These relate sometimes to argument, more often to language. They are, however, such as any author might make in re-reading what he had written. As controversialist, Ricardo's pen moved swiftly and easily. Bearing in mind that the entire composition can not have taken more than four months, such changes are astonishingly few and inconsiderable.

The MS. is however, beyond this, something more than a first draft. Of at least the early part, there was what we may describe as a 'first version,' subsequently incorporated by expansion and rearrangement into the final text. Traces of this remain in a penciled numbering of the early sheets, corrected and displaced by the final pagination, and in the reconstruction of certain sections from disused matter, as indicated below.[44]

It is possible that some part of such revision resulted from the careful reading which we know Malthus, Mill, McCulloch and Trower gave the "Notes." There is, however, no confirmation of this in the correspondence, and the occasional check marks in pencil, in the margins of the MS., if indeed the work of other hands, were probably intended as indications of personal dissent and as the subjects of later verbal discussion. On the whole, it seems likely that the essential service of his critics was dissuasion from publication, and that the MS. as it has come to us represents the author's revision of his composition.

I.

In the "Introduction" to the "Political Economy," Malthus had formally disclaimed any attempt to present "a new systematic treatise on political economy." The time seemed "unpropitious" for such an undertaking—much as it had seemed inopportune to Francis Horner to sponsor a new edition of the "Wealth of Nations" sixteen years earlier. The prestige of Adam Smith's work, the controversies as to valid additions and corrections, and the significance of the extraordinary events of the preceding twenty or thirty years as to "the received principles of the science"—all suggested critical discussion rather than formal exposition. After a sufficient time had elapsed for debate and experience "to separate what is true from what is false, the different parts may then be combined into a consistent whole." Malthus therefore proposed to confine himself to such

[44] *Infra*, pp. 14, note 45; 36, note 27.

of "the main propositions of the science" as to which there were "still great differences of opinion. These "different subjects which admit of doubt" were to be "treated separately."

As "some very important points" on which there were "still great differences of opinion," Malthus enumerated:

The definitions of wealth and of productive labour
The nature and measure of value
The nature and extent of the principles of demand and supply
The origin and progress of rent
The causes which determine the wages of labour and the progress of stock
The causes which practically retard and limit the progress of wealth
The level of the precious metals in different countries
The principles of taxation.

The first six of these eight topics virtually outline the contents of the "Political Economy," indeed almost supply the successive chapter headings. In the book, "demand and supply" were discussed in connection with "value"; on the other hand, a brief chapter was assigned to "the distinction between wealth and value." The level of the precious metals received only slight treatment in the text chapter on "the rent of land." Taxation, contrary to Malthus' original intention and much to Ricardo's regret, was deliberately omitted.[1]

Malthus' "Political Economy," unlike Adam Smith's "Wealth of Nations," J. B. Say's "Traité" and James Mill's "Elements" was thus in no sense an attempted systematic treatise but rather a group of associated chapters dealing critically with certain economic principles which doctrinal controversy and current events had brought to the fore. We may assent unreservedly to Bonar's citation: "It is justly said by Garnier (*Dict. de l'Écon. Pol.*" art. 'Malthus') that in spite of its title the *Political Economy* of Malthus is not the exposition of a system, but simply a collection of economical papers on various subjects that had been brought specially under his notice in

[1] "But the degree in which the different classes of society are affected by taxes, is in itself a copious subject, belonging to the general principles of taxation and deserves a separate inquiry" ("Inquiry into the Nature and Progress of Rent," p. 61); the passage is omitted in the "Political Economy" (cf. p. 202). See also "Letters to Malthus," pp. 164-5.

discussion with his friends, or (we might add) in his college class." [2]

In form at least—however different in content and calibre—Malthus' book was thus closely akin to Ricardo's "Principles." Nor is this surprising. Both men knew their "Wealth of Nations" and had begun, we may suppose, if not in that "superstitious worship of Smith's name" of which Francis Horner complained,[3] at least as admiring readers. For a decade a rough parallelism continued. Malthus, engaged in the revision of the "Essay on Population" and later busied in class exposition at Haileybury College; Ricardo, mulling over the "Wealth of Nations," accidentally encountered and gradually displacing an amateurish interest in mineralogy—may be conceived as following a common path of critical exposition of Adam Smith's principles, not unlike that before defined by Dugald Stewart. Ricardo's comments would have been more profound; Malthus', more specific. But the exhibit would have been in each case a running commentary upon the "Wealth of Nations."

With the Bullion controversy and the Corn Law debate, vivified by personal association, came a parting of the ways. In Ricardo's case there was a complete re-orientation. Malthus continued along the old course. Had circumstances favored systematic composition at this time, the contrast would surely have been reflected in the respective treatises. Timidity restrained Ricardo; dilatoriness delayed Malthus. When in 1817, James Mill's prodding induced publication, Ricardo forced the new wine into the old bottle. Three years later, Malthus, under the stress of controversial rejoinder, assembled the oddments of earlier pamphlets and lecture notes into a physical mixture.

II.

The nature and measure of value was the centre of the doctrinal debate of Ricardo and Malthus. Ricardo's "High Price of Bullion" (1810), the "Essay on the Low Price of Corn" (1815), the three editions (1817, 1819, 1821) of the "Principles," the present "Notes on Malthus" (1820), the running discussion in the letters to Malthus, Trower and McCulloch—alternating with Malthus' "Corn Law" and "Rent" tracts (1813-14), the first edition of the "Political Economy" (1820), the "Measure

[2] "Malthus and his Work" (1924 edit.), p. 214.
[3] "Memoirs (1843)," I, 229.

of Value" (1823), the Royal Society of Literature papers on "Value" (1825-27), the "Definitions in Political Economy" (1827) and the posthumous edition of the "Political Economy" (1836)—marked successive stages in the discussion.

The occasion for this sustained controversy was less philosophical interest than practical service. Starting from Adam Smith's exposition, the impulse of both men was to supply the gaps and to perfect the logic of an accredited theory. Identity of conclusion would not have been reached and some discussion would have ensued. But the essential outline of Adam Smith's concept of value would have been accepted. Malthus would have gone beyond Smith's naïve switch from a "philolosophical" to an "empirical" [1] measure and made deliberate choice by a somewhat different route of "commanded labor." [2] In Ricardo's case, acquiescence would have been emphatically subject to the reservation, conceived with much of the precision and maintained with all of the vigor that distinguished Ricardo's doctrinal thought, that Adam Smith had erred in abandoning his original measure of value, namely "embodied labor," for "commanded labor"—and that the same principle of valuation, which prevailed in "that early and rude state of society" before the use of capital and the appropriation of land, determined exchange relations in advanced industrial condition.

As it was, however, before personal intimacy had led to regular correspondence and discussion, and before the occasion for consecutive statement and written exposition had arrived, the two men were caught up in the great economic issues—Currency, Corn Laws, National Debt, Taxation—that engrossed England as the end of the Napoleonic struggle loomed in sight. In this controversy, Ricardo and Malthus, while agreed in hostility to the radical proposals of Spence, Cobbett, and Attwood, were led by class association, economic environment and mental habit to take different, sometimes opposed stands. Malthus believed that the country's well-being depended upon the maintenance of its traditional social structure, of which a prospering landed interest was the key-stone. The Napoleonic struggle had introduced elements of disturbance, some even of permanent change. The economist's task was to set forth the philosophical warrant for laws and policies which would ensure return, in so far as possible, to the

[1] Wieser, "Natural Value," xxvii-xxviii.
[2] Hollander, "The Development of Ricardo's Theory of Value," in *Quarterly Journal of Economics*, August, 1904.

old order. Whiggish though he might be in political reform, Malthus was steeped in an inveterate Toryism as to social and economic organization. Ricardo's thought was under no such restraint. His environment was the liberalism of the City, his associates were the precursors of philosophical radicalism, his inspiration was Bentham, through the elder Mill. Environment and experience led him to believe that the strength of England and the well-being of its people proceeded from the abundance and cheapness of British capital.

From an academic difference as to the logical defects of Adam Smith's exposition, the debate thus turned into a more serious endeavor to establish theoretical bases for different policies. This transition in purpose may be traced clearly in the development of Ricardo's theory of value. Dissent from Adam Smith's abandonment of a "philosophical" for an "empirical" measure of value was a characteristic of the first phase of Ricardo's treatment of value. But this was, at best, the desire of a rigidly logical mind to rectify what apppeared to be an illogical and unwarranted lapse. With the controversies of the post-Waterloo period, a much greater stake became the issue. The second phase of Ricardo's treatment of value is directly traceable to the corn-law controversies of 1813-17 and to active discussions thereafter with Malthus, McCulloch, Say and Torrens as to related economic policies. The initial chapter 'On Value' in the first edition (1817) of the "Principles" was designed less as an independent analysis than as doctrinal basis for certain practical proposals advanced and defended by Ricardo from 1813 on. Thus Ricardo believed, in opposition to Malthus, that lower profits could only result, in the long run, from higher wages; he asserted that McCulloch's proposal to scale down the interest on the national debt was neither wise nor equitable; and he refused all credence to the popular fear that the free importation of corn would be followed by a further disastrous fall in general prices.

It was to give reinforcement to such definite propositions that Ricardo developed and extended his original concept of value. The prime features of this modified exposition were disagreement with the doctrine that every rise in wages must necessarily be transferred to the price of commodities, and, second, demonstration of the converse dictum that higher wages were actually compatible with lower prices. But just as in the case of Malthus' first statement of "the principle of population," it was the argument rather than the conclusion which was assailed. Ricardo

found himself called upon not to defend any such paradox-like dictum as that prices sometimes fell as wages rose, but more fundamentally to vindicate "embodied labour" as the soundest theoretical and the best practical measure of value.

When the course of events had disposed of immediate issues and the value controversy showed sign of declining into a doctrinal dialectic engaging the attention of the newly-organized Political Economy Club and inspiring interminable discussions at 'Threddle'[3]—fresh occasion for a solution presented itself. The Bank had resumed cash payments in 1819 first in accordance with Ricardo's "economical and secure currency," and later in 1821 by specie conversion, because, as Ricardo insisted, of the Bank's "strong prejudices against the plan."[4] A sequel had been a distress-causing fall in prices. Forthwith a renewed "bullion controversy" was precipitated. Were lower prices, and in particular, was agricultural distress, due to the appreciation of the money unit or to other causes—bumper crops, burdensome taxation, heavy imports, bungling Bank policy? In our own day recourse would be had for answer to a like question to the movement of general prices as disclosed by an index number of commodity prices. In 1820 the only philosophical reply possible was: the fact and the extent of alteration in the value of the money unit must be determined by reference to "the standard of value." What, then, was such a standard?

This controversy, which constitutes the third phase of Ricardo's theory of value began with McCulloch's highly laudatory notice of Ricardo's book in the *Edinburgh Review* for June 1818, and was continued by Torrens' "Strictures on Mr. Ricardo's Doctrine respecting Exchangeable Value" in the *Edinburgh Magazine and Literary Miscellany* of October, 1818 and by McCulloch's defence in the next issue of the same magazine. The correspondence between Malthus and Ricardo was thereafter largely concerned with the nature and measure of value—in Ricardo's phrase, one of "a very few important points on which we materially differ."[5] Similarly the outcome of discussions between Lord King, Wishaw, and Malthus, was recorded by Ricardo as agreement that "the measure of value is not what I have represented it to be."[6]

It is likely that such criticisms strengthened the conviction present to some extent from the first in Ricardo's mind that the

[3] Hollander, "David Ricardo," p. 113.
[4] "Letters to McCulloch," p. 120.
[5] "Letters to Malthus," p. 139. [6] *Ibid.*, p. 148.

claim of "embodied labour" to serve as a measure of value must be relative rather than absolute excellence. The demands of his publisher for a second edition of the "Principles" opportunely permitted some formal expression to this belief; and, when the book actually appeared early in 1819, the initial chapter 'On Value' showed an appreciable increase of reserve in the advocacy of "embodied labor" as a universal measure of value. Ricardo's state of mind at this stage is exactly expressed in a sentence addressed to McCulloch, anent Torrens' strictures:

> "I am more convinced than ever that the great regulator of value is the quantity of labor required to produce the commodity valued. There are many modifications which must be admitted into this doctrine, from the circumstance of the unequal times that commodities require to be brought to market, but this does not invalidate the doctrine itself. I am not satisfied with the explanation which I have given of the principles which regulate value. I wish a more able pen would undertake it. The fault is not in the inadequacy of the doctrine to account for all difficulties, but in the inadequacy of him who has attempted to explain it." [7]

Writing in 1819-20 on the nature and measure of value, Malthus, as controversialist, thus confronted the third phase of Ricardo's opinion—set forth in the chapter 'On Value' in the second edition (1819) of the "Principles" and amplified in his correspondence with Malthus and McCulloch. This third phrase, it may be repeated, was marked by the conviction that "embodied labor" should be regarded as the measure of value, even though its claim to serve as such must be relative rather than absolute excellence.

It is likely that Malthus had written a substantial part of the chapter 'On the Nature and Measure of Value' as it appears in the "Political Economy" before sustained controversy with Ricardo had developed. As professor of history and political economy at Haileybury College from 1805 on, he was required to give "a course of lectures on political economy." [8] The subject matter which the small body of young and somewhat immature students "could not only understand" but "did not even think it dull"—was probably like Dugald Stewart's "separate course" at Edinburgh and 'Prize' Pryme's lectures a few years later at Oxford—in considerable part a running comment upon Adam Smith, with recurring attention to the subject of value.

[7] "Letters to McCulloch," pp. 47-48.
[8] Bonar, "Malthus and his Work" (1885 ed.), p. 240.

A formal work along these lines was actually projected and partially completed by Malthus. On January 13, 1815 Ricardo wrote to him, as to the forthcoming appearance of the tract on Rent:

> "I hope your notes on Adam Smith are in great forwardness, and that they will soon follow the smaller publications which you are now preparing. I expect that they will not only be very useful in giving correct notions to the public, but also in calling the attention of those who are well informed in the science of political economy to many points which have hitherto escaped their consideration." [9]

The 'notes on Adam Smith' were never completed, certainly never published.[10] When, however, in 1819-20 under the spur of controversial interest Malthus pushed forward the composition of the "Political Economy" we may suppose that instead of drafting a new and independent exposition, he used some part of his 'notes on Adam Smith' and of his lecture materials as the basis of the chapter on value and inserted and attached critical comments upon Ricardo's opinions as set forth in the second edition of the "Principles."

This assumption is borne out by the plan and content of Malthus' text. After a preliminary section on terms, the chapter on value is devoted to establishing two propositions: (1) exchange value is determined by demand and supply and not by cost of production; (2) exchange value is measured by commanded labor and not by embodied labor. Sections I ('of the different sorts of value') and II ('of demand and supply as they effect exchangeable value'), of Malthus' chapter were clearly written before the controversial period. The distinctions between value in use, nominal value in exchange, and real value in exchange "are, in the main," those of Adam Smith." They "properly belong to his system," and Malthus undertakes only to correct lapses "fairly considered in the light of inadvertences" or deviations occurring when, "from some cause or other, he was not fully aware of the inconsistency of such deviation." [11] In like manner, the second section professes to traverse accredited ground. "Intensity" is co-ordinate with "extent," as a quality of demand and supply, and this is the sense in which "every other person" has understood the terms "when speaking of commodities bought and sold in a market."

[9] "Letters to Malthus," p. 56.
[10] Bonar, "Malthus and his Work" (1924 ed.), p. 427.
[11] "Political Economy," pp. 62-3.

In a concluding paragraph probably appended to a first draft, Ricardo—not mentioned up to this point—is claimed as an adherent of the foregoing opinion, because although ordinarily employing demand in the sense of extent of consumption, rather than of intensity of desire, yet in treating of 'the influence of demand and supply on prices,' Ricardo, approving Lauderdale's analysis, had agreed that as applied to monopolized commodities and to the market prices of all other commodities for a limited period, demand and supply were controlling factors; whereas in the case of commodities subject to competition and capable of increase in any moderate degree—cost of production was the ultimate determinant. Malthus' emphasis foreshadowed a fundamental difference—the relative claims of cost and demand as the determinant of value.

In the third section ('of the cost of production as it affects exchangeable value'), this issue between "the two systems" was squarely joined.[12] Not only in the admitted cases of monopolized commodities, and of existing market prices generally, but as to natural or necessary prices "the great principle of demand and supply is called into action." It is "the dominant principle," in the determination of prices whether market or natural, and cost of production can do nothing but "in subordination to it." This is not only evidenced by "actual experience"—the insufficient pay of curate, the effects of the poor-rates upon wages, even the principle underlying Ricardo's 'economical and secure currency'—but more fundamentally in that cost of production itself is determined as to its component parts—wages, profits and rent (*sic*)—by demand and supply. As to the ultimate determinant Ricardo had maintained that back of supply lay cost of production, while Malthus rejoined that the constituents of cost of production — labor, profits, rent — were themselves governed as to value by supply.

In the four remaining sections, devoted to examination of 'the measures of value,' the issue familiar to all students of the value controversy of Malthus and Ricardo is developed. Malthus' order of exposition is: (a) to expose the defects of Ricardo's measure, viz. embodied labor; (b) to set forth the virtues of commanded labor; (c) to correct the defects of commanded labor by proposing a "compensating" composite of commanded labor and corn as measure.

[12] "Political Economy," pp. 73-6.

Embodied labor, Malthus insists, does not account for variations in the exchange value of the overwhelming mass of commodities, namely, those in the production of which fixed capital is employed in different proportions or for unequal periods, or in which foreign commodities are used or taxes are imposed or marginal rent is paid. Money regarded as the embodiment of labor, is quite as unserviceable—and this independent of obvious variations in the cost of producing the previous metals. The commodities to be measured would still defer to the variations noted above, due to other elements than embodied labor. As a matter of fact, the unequal productivity of mines, the existence of monetary stocks, and their uneven distribution in various countries prevent the money prices of commodities from being "a correct measure of the quantity of labour which has been employed upon them, either in the same or different countries, or at the same or different periods." The quantity of labor which a commodity has cost in its production is neither a correct measure of relative value at the same time and at the same place, nor in consequence, a measure of real value in different countries and at different periods.

Rejecting embodied labor and its proposed equivalent, money, Malthus harks back to Adam Smith and considers that of any one commodity, commanded labor—"the quantity of common day-labor which any article will command"—appears to approach the nearest to a measure of real value in exchange. Certain general considerations warrant this conclusion. Commanded labor, either productive or unproductive, is "most extensively the subject of exchange."[13] It alone expresses the degree in which commodities are suited to human desires, and the degree of abundance in which they are supplied. It measures "the accumulation of capital, and its efficiency in the increase of wealth and population." More specifically, commanded labor not only serves equally well with embodied labor as a measure, in the cases where the latter is appplicable, but also in the cases where embodied labor is not.

Yet even commanded labor—as a result of varying plenty and scarcity and of differences in skill and mechanical aid—cannot be considered "an accurate and standard measure of real value in exchange." As a matter of fact no one commodity could be; while to employ all commodities "would not only be too difficult

[13] "Political Economy," p. 119.

and laborious for use, but generally quite impracticable."[14] Two objects, however, "might, in some cases, be a better measure of real value in exchange than one alone, and yet be sufficiently manageable for practical application." Taking commanded labor as one, and assuming that the variations of labor and corn are ordinarily inverse, a mean between the two may be taken as a measure of real value in exchange. Two commodities therefore which will purchase the same number of days' labour and of pecks of wheat, or parts of them, each taken in equal proportions may be considered as possessing "pretty nearly" equal real value in exchange. The measure so proposed is admittedly defective because of the effects of capital, machinery and the division of labour in production. But "these varying results no approximation hitherto suggested has ever pretended to estimate."

Ricardo's comment in the "Notes" hinges, as his correspondence would lead us to expect, upon the two major contentions of Malthus' text: (1) the determinant of value and (2) the measure of value. As to the first, Ricardo insists that "The real value of a commodity I think means the same as its cost of production" and "a commodity is at its just or natural value, when it repays by its price, at the usual rate all the expenses that have been bestowed upon it, from first to last to produce it and bring it to market."[15] Cost of production, therefore, and not as Malthus contends, demand and supply, is the determinant of value. Ricardo does "not deny, that in the progress of the rise or fall of commodities there may be, what is usually termed, an increased demand or an increased supply." Thus "The market price of a commodity may from an unusual demand, or from a deficiency of supply, rise above its natural price." But "this does not overturn the doctrine that the great regular of price is cost of production"; or as Malthus in at least one passage "substantially admits," it is "not the relation of demand to supply, which finally and permanently regulates the price of commodities, but the cost of their production."[17]

In the case of natural or normal value, this is conceded; but it is quite as true of market price—not because of any assumption that "the value of a commodity will always conform to its natural price without any additional supply"—but, more fundamentally

[14] *Ibid.*, p. 126.
[15] *Ibid.*, pp. 129-132.
[16] "Notes," p. 15.
[17] *Ibid.*, p. 17.

because "the cost of production regulates the supply, and therefore regulates the price." The sequence is therefore: "market price will depend on supply and demand—the supply will be finally determined by the natural price—that is to say by the cost of production."[18]

The debate at this point was in part controversy as to the design upon a two-faced shield, in part dialectic as to the relative priority of chicken and egg. Ricardo was concerned only with cases "where there is no monopoly, and every one is free to supply the commodities in such quantity as he chuses," and glossed over "the instances brought forward by Mr. Malthus" as "either cases of close monopoly or cases where a part of the natural price is paid by other people, as in the instance of poor rates sinking the price of labour; or bounties on production sinking the value of the commodity raised, the producer being entitled to the bounty."[19]

As to the second contention, Ricardo insisted that just as cost of production is the determinant of value, so "the relative cost of production of two commodities"—or exchange value—is nearly in proportion to the quantity of labour from first to last respectively bestowed upon them."[20] Malthus had contended that the number of admitted exceptions deprived Ricardo's measure of any valid title; that the amount of labor which a commodity would command was a much truer measure than the amount of labor embodied in it; that the error in such a standard of "commanded labor" would be corrected by substituting for it—since labor and corn varied inversely in market fluctuations—a mean between corn and labor. Ricardo's rejoinder was less a denial of Malthus' strictures upon embodied labor as a measure than a *tu quoque* insistence upon the graver defects of Malthus' proposed alternative. Malthus, even in urging his composite corn-labor measure, had admitted that we have therefore "to choose between an imperfect measure of exchangeable value, and one that is necessarily and fundamentally erroneous."[21] Ricardo was prompt in reversing the application of this dictum. Embodied labor was certainly an imperfect measure:

> "Mr. Malthus shews that in fact the exchangeable value of commodities is not *exactly* proportioned to the labour which has been employed in them, which I not only admit now, but have never denied. He proves then that quantity of labour is not a

[18] *Ibid.*, pp. 20-1.
[19] *Ibid.*, p. 21.
[20] *Ibid.*, p. 15.
[21] "Political Economy," p. 132.

> perfect measure of value; but what are its deviations from a perfect measure on account of the circumstances which he mentions? If they are slight, as I contend they are, then we are still in possession of a measure tolerably accurate, and in my opinion more nearly approximating to truth than any that has been yet proposed."

But a commanded labor measure and much more a composite corn-labour measure was necessarily and fundamentally erroneous:

> "Mr. Malthus' proposed measure has none of the qualities of a measure of value. The imperfections on the score of variability which he himself attributes to it, are greater than any which he imputes to the one which I propose." [23]

Commanded labor was not invariable and corn was not invariable —both of which facts Malthus admitted—and their variations, contrary to Malthus' assumption, were not ordinarily in inverse direction. Empirically, it was wrong because neither constituent of the composite—commanded labor nor commanded corn—was invariable and the effect of their joint use was to cumulate, not as Malthus claimed, to correct such variations. Philosophically it was wrong, because it undertook to measure value "by its power of commanding wealth"; whereas value can only be measured by value, just as length can only be measured by length and capacity by capacity.

The debate converted neither Malthus nor Ricardo to the other's opinion. And yet, on the other hand, each receded in the following years from the position taken, and in this change the "Notes" doubtless played a part. Ricardo recognized with increasing frankness the exceptions to the universal applicability of embodied labor as a measure of value—despite the protests of James Mill and McCulloch. A rigid embodied labor measure accounted for variations arising from more or less labor being required to produce commodities; but it failed with respect to variations brought about by the use of varying proportions of labor and capital. "For these variations," Ricardo added, "there has never been, and I think never will be any perfect measure of value." [24]

In so far as this final contribution of Ricardo possessed any distinctive characteristic, it was the prominence accorded gold as a practical, rather than embodied labor as an ideal measure of value. This was in part a reflex of contemporary Parlia-

[22] "Notes," p. 28.
[23] "Notes," p. 28.
[24] "Letters to McCulloch," p. 173.

mentary debate, in part a reaction from McCulloch's insistence upon the mathematical accuracy of the labor measure. An invariable measure of value was unobtainable, and we can only make "the best choice amongst confessedly imperfect measures." If embodied labor was the most practicable measure of value and gold its most serviceable standard expression, it was only with these grave qualifications.

In 1820, as in 1814,[25] Malthus was of the opinion that a mean between corn and labor was a better measure of value than labor itself. But his faith in the composite standard was perhaps wavering. Corn-labor figured in chapter I of the "Political Economy"; but in chapter II (p. 198) there was a significant replacement of a sentence (p. 46) of the "Rent" tract ("the price of corn and labour, which appears to me to be the nearest practical approximation that can be adopted") by the old formula ("the price of corn as proposed by" Adam Smith). Certainly, three years later in "The Measure of Value Stated and Illustrated," there was explicit recantation:

> "In my last work, I thought that a mean between corn and labour might be a better measure of value than labour alone; but I am now convinced that I was wrong and that labour alone is the true measure." [26]

This was nominally a reversion to the opinion of Adam Smith; but the route was different:

> "Under these circumstances, having, by a process quite different from that of Adam Smith, and dependent on doctrines relating to the gradations of soil, which were not noticed by him, arrived at the conclusion, that the labour which commodities will command may be considered as a standard measure of their natural and exchangeable value. I have thought myself justifiable in publishing my view of the subject in its present form." [27]

The definiteness of Malthus' concept appears in an emphatic sentence that may well serve as prelude to John Stuart Mill's estimate a few years later of the then "complete" state of the theory of value:

> "It is not a little discreditable to a branch of knowledge which claims to be called a science, that the meaning of a term [value] which is constantly met with in every work on political

[25] "Inquiry into the Nature and Progress of Rent," p. 46.
[26] "Measure of Value," p. 23 n.
[27] *Ibid.*, Preface, v.

economy, and constantly heard in every conversation on the subject, should not yet be settled." [28]

Dr. Bonar inclines to believe that Malthus tended, in this particular "as time went on, to approach somewhat nearer to Ricardo" and that the "Two elaborate papers on the measure of value, written in 1825 and 1827, show that Malthus was becoming inclined to make less of his differences with Ricardo." [29] It is possible that the fact was rather that Malthus, without waiving his opposition to embodied labor as the soundest measure of value, directed his later attack against gold, Ricardo's practicable standard of value. Certainly, Malthus' final opinion as set forth in the posthumous second edition of the "Political Economy" was: "the value of a commodity at any time, and at any place, may be measured by the quantity of the standard labour of that time and place, which it will exchange for or command." [30]

III.

The opposition of Malthus and Ricardo as to 'the nature and progress of rent' traced back to the corn law debates of 1813-14. The two men had probably been first brought together in 1809 by common interest in the events leading up to the appointment of the Bullion Committee; in particular, probably, by Ricardo's own writings on 'the high price of gold.' It was "conversation on these disputed points" [1] that cemented the contact. By the end of 1812 this matter had become "our old question," as to which there was general agreement even "though there is yet some difference between us." [2] Divergent opinion as to 'the relation of the currency to the balance of trade,' had developed. Malthus had stated his case in an article in the *Edinburgh Review* of February 1811, and Ricardo had rejoined in an Appendix to the fourth edition of his "High Price of Bullion."

The acute agricultural unrest in England in 1813 and the parliamentary discussions that accompanied it diverted the attention of the two men to a new issue. In the early part of 1814 doctrinal discussion passed from the influence of the currency upon the foreign exchanges—still "the old story"—to the more immediate problem of the prospective effect of the proposed corn

[28] "Political Economy" (1836 edit.), p. 118.
[29] "Malthus and his Work" (1885 ed.), pp. 148, 150.
[30] Page 111.
[1] "Letters to Malthus," p. 19. [2] *Ibid.*, p. 25.

duties upon economic classes and upon their respective incomes. The specific matter in dispute was the influence of the corn laws upon profits.[3] The principle that a high rate of profits was a cause and an index of increasing national wealth was one of the most influential doctrinal contributions of Adam Smith to economic thought. The neo-mercantilist exaltation of a low rate of interest had become discredited by the rising industrialism and the changed creed found favor and justification in the obvious connection between the huge industrial profits and the greater national strength of the new era. To this philosophy succeeding opinion lent itself, and to it Ricardo and Malthus in general terms adhered.

Either because it was the simple belief common enough among the commercial class of his time, or, more probably, because it was in essence a legitimate heritage from Adam Smith, Ricardo inclined to the opinion that restrictions on imports mean a higher price of corn, that the increased price of food causes a rise in wages, that higher wages are attended with lower profits and interest, and that it is the profits of the farmer which regulate the profits of all other trades.

Malthus, reluctant to accept its implications, denied that the last proposition, that agricultural profits determine general profits, was any truer than its converse, and insisted that a cheaper method of obtaining food was not the only means of raising profits. Thus a new foreign market, creating a greater demand and higher prices for domestic wares would mean higher gain in particular trades, higher interest in general, and ultimately higher profits in agriculture. A few months later in "The Grounds of an Opinion on the Policy of Restricting the Importation of Foreign Corn," Malthus definitely crossed his bridge and declared himself in favor of a temporary duty on imported corn to countervail the artificially low value of the currency. Practically at the same time he put together "some notes on Rent" collected "in the course of my professional duties at the East India College."[4] Designed to form part of a larger work before in contemplation, "An Inquiry into the Nature and Progress of Rent, and the Principles by which it is Regulated" was now published "by a desire to lessen the odium into which

[3] "David Ricardo: A Centenary Estimate" (1910), pp. 75-77, from which the succeeding statements have been drawn.
[4] "Inquiry," Introduction.

high rents were falling among those who wished for cheap bread." [5]

With the greater precision of thought brought by Malthus' explanation of the nature and cause of rent—confirmed by the testimony of practical agriculturists before parliamentary committees and reinforced by the clear exposition of West's "Essay on the Application of Capital to Land"—Ricardo not only grew convinced of the fallacy in Malthus' protectionist position but, more fundamentally, he replaced general argument with a set of closely integrated doctrines, as to the inter-relations of wages, profits and rent. Ricardo wrote the "Essay on the Influence of a Low Price of Corn on the Profits of Stock" primarily to make clear that a protectionist conclusion was at variance with Malthus' reasoning. But the larger significance of the "Essay" is that it marks the passing of Ricardo from a critic of Adam Smith to the author of an independent system of economic relations. Impelled to doctrinal controversy and imbued with traditional conviction as to the importance of an increasing supply of national capital, Ricardo in seeking for a theoretical basis for his controverted opinions upon pending issues, established what seemed to him the principles which determine the several parts of the national income.

Just as the effect of Malthus' "Essay on Population" was to deflect the controversy to which it was a contribution from the doctrine of human perfectibility to the correctness of the principle of population, so the consequence of Ricardo's "Essay" was to divert controversial interest from the corn laws to the principles of profits and rent—the more definitely in that the enactment of the new corn law removed the older matter for a time at least from public interest. Through the spring of 1815 and intermittently thereafter the discussion and correspondence of Malthus and Ricardo were concerned with rent and profits. Malthus had in mind a review of Torrens' "Essay on the External Corn Trade" and in connection therewith an examination of Ricardo's opinions; but the intention was not carried out. "With regard to any remarks on my opinions," Ricardo wrote him, "you must be governed by your own discretion. If those opinions are wrong, I should like to see them refuted, but, thinking as I do that they are in all essential points founded in correct principles, I ask for no mercy. I do not care how severely they

[5] Cannan, "Theories of Production and Distribution," p. 162.

are attacked; there is nothing you could say of them which would hurt me, if what you said did not express contempt, and that I know you do not feel for me. Act toward me therefore as if I were a perfect stranger, and notice me or not as you think best." [6]

As for Ricardo himself, though he continued "not less interested about our old subject," it was the controversy with the Bank and the practicability of specie resumption, culminating in the publication of the "Proposals for an Economical and Secure Currency," that engaged major attention. This off his hands, abstract speculation again drew him. In February 1816, he wrote to Malthus: "I wish much to see a regular and connected statement of your opinions on what I deem the most difficult and perhaps the most important topic of political economy, namely, the progress of a country in wealth, and the laws by which the increasing produce is distributed." [7]

Once conceived the project moved steadily forward. In less than a twelvemonth, Ricardo had "committed everything to paper that was floating in my mind." His first task had been "rather a statement of my own opinions than an attempt at the refutation of the opinions of others." Subsequently he had been "looking over" important texts (Adam Smith, Say and Buchanan) "and where I have seen passages in their works contrary to the principles I hold to be correct I have noticed them, and shall perhaps make them the subject of some comment." [8]

It was in this spirit that he wrote to Malthus in February, 1817, "I have been reading again your three last pamphlets on rent and corn, and cannot help thinking there is some ambiguity in the language." [9] Some of his comments were communicated at the time; but further development suggested itself and "Mr. Malthus's Opinions on Rent" was drafted and added as a final chapter to the "Principles" as the work was passing through the press.

While still in manuscript Ricardo submitted the chapter to Malthus, that he may not "have exceeded the bounds of fair criticism in my remarks on the passages of your pamphlets which I have selected for animadversion." [10] In acknowledgment Malthus wrote, whether philosophically or with a trace of sensitiveness, that 'after having so often heard my opinions, in contradistinction to yours, it would not be of much use just now, when

[6] "Letters to Malthus," p. 66.
[7] *Ibid.*, p. 111.
[8] *Ibid.*, pp. 123-5.
[9] *Ibid.*, p. 127.
[10] *Ibid.*, p. 132.

your book is actually in the press, to enter again on my reasons for differing with you.' To this Ricardo agreed, repeating that "I merely wished you to see that part which related to you before I published, that I might not inadvertently misrepresent your statement." Malthus requested the insertion of a foot-note correcting his inadvertent use of the term "real price," and to this Ricardo cheerfully assented, adding "although I cannot but regret that we should differ so much as to the just and fair import of the words." [11]

A lull in the rent controversy followed the appearance of Ricardo's "Principles." The practical issue had for the time at least lost importance and Malthus, aware of Ricardo's strictures, had concluded to incorporate rejoinder with his prospective treatise. Ricardo's continental tour and Malthus' journey to Ireland interrupted correspondence, and when it resumed profits rather than rent received attention. Insofar as the theory of rent continued in discussion, the occasion came from Say's notes to the French translation of Ricardo's "Principles" and the related correspondence with Ricardo, together perhaps with the *British Review* insistence that Malthus and Ricardo had "endeavored to make the nature of rent, which was before so clear, obscure." [12]

The completion of Malthus' "Political Economy," as we have seen, was long delayed, and when in 1819 the demands of the publisher for a second edition of Ricardo's "Principles" became urgent, there was little change in the doctrinal issue. The edition "has nothing new in it, as I have not had the courage to recast it," Ricardo wrote to Say.[13] But this was not entirely true. The changes in the exposition of value, as we have seen, although not vital, may, in the light of what had gone before, be regarded as highly significant.

In the matter of rent, fewer alterations were made and these were confined almost entirely to the final chapter on Malthus' opinions. Ricardo emphasized (p. 501), in agreement this time with Sismondi as well as theretofore with Buchanan, that rent is 'a value purely nominal, and forms no addition to the national wealth, but merely is a transfer of value, advantageous only to the landlords, and proportionably injurious to the consumer.' He clarified (p. 507) his denial of Malthus' contention that the rent of land upon which the necessaries of life were raised was

[11] *Ibid.*, p. 135. [12] *Ibid.*, p. 146. [13] *Ibid.*, p. 166.

"essentially different" from that which produced "those peculiar products of the earth, not connected with food, which may be called natural and necessary monopolies." He guarded (p. 517) somewhat—without however any substantial concession—his insistence that agricultural improvements and greater efficiency of labor, tended to lower rents and not, as Malthus insisted, to raise them. Finally, he expanded his rejoinder to the marginal rent criticism by a vigorous reply to Say's strictures.

It is unlikely that Ricardo saw Malthus' chapter 'Of the Rent of Land' before its appearance in the "Political Economy" early in 1820. Eighteen months earlier Malthus had read to him a part of the manuscript and Ricardo "differed very little from the opinions expressed" therein. As the book was leaving the press, Malthus had shown him a chapter of the book "perhaps that in which his difference with me is most particularly noticed" —which appeared to Ricardo "to offer no objections which might not be easily disposed of."[14] The chapter on rent does not seem to have figured on either occasion. Malthus was no less generous a controversialist than Ricardo and his failure to follow Ricardo's example in submitting the manuscript to his antagonist prior to publication may be regarded as less any specific avoidance than a consequence of the pervading critical quality of the entire work and the definiteness of doctrinal alignment.

The difference between the two men as to the nature, cause and progress of rent had thus with the appearance of Malthus' "Political Economy" in 1820 taken on definiteness almost to the point of fixity. This opposition was not as in the case of value—the relative superiority of one or the other of two admittedly imperfect solutions of the same problem—but different opinions as to the criteria of national well-being.

Of the two, it was natural that Ricardo should regard the maintenance of profits as the paramount consideration in shaping the country's economic policies—not as a thing in itself but as the symptom of favorable conditions and tendencies. Whereas Malthus, although conceding that the progress of the country was dependent upon "increase in capital and manufacturing skill," centered attention upon the further consequences of such increase —the improvement of rents. With Ricardo insistent upon high profits and Malthus disposed to look beyond to high rents as the symptom of a progressive society, it was inevitable that when the

[14] *Ibid.*, pp. 155-6; "Letters to McCulloch," p. 59.

corn law became the centre of public interest—the question should have taken the form of the interrelation of profits and rents. Malthus had presented a theory as to 'the nature and progress of rent' to which Ricardo had given admiring acceptance. But mental habit, class tradition and personal contacts had led to very different conclusions from what each regarded as "the true doctrine."[15] Discussion and correspondence extending over a term of years might have corrected errors in reasoning, perhaps even have reconciled differences in approach and emphasis. But the opposition was here too deep-seated and continuing for adjustment, and divergence of conclusion tended to be carried back to contrariety of theory.

The two men were agreed that as a country grows in wealth and population the price of food and the rent of land rise. The only escape is food importation from cheaper producing countries. This alternative had been definitely rejected by Malthus as entailing national insecurity. It had been emphatically accepted by Ricardo as economically sound and politically safe. From this opposition, the alignment developed. Malthus, having assented to high food and high rent as necessary accompaniments of national enrichment, was impelled toward doctrinal justification of the resultant class advantage. Ricardo, on the other hand, indicated with characteristic rigor, the implications of his clearly conceived philosophy.

Some trace of the heat of current controversy could not fail to be reflected in the debate, however much its participants might wish to preserve the generous consideration of personal regard. This appears in a certain crispness in Ricardo's comment, verging almost into impatience at the reappearance in unchanged form of contentions to which answer had already been made, and into evident hurt at the seeming support given to the popular misrepresentation of his opinions.

As it appeared, the chapter (II) treating 'Of the Rent of Land' is the second largest of the seven chapters of Malthus' "Political Economy," comprising practically one-fifth of the book. It is subdivided into ten "sections," of which the first seven are a reprint with some changes and additions of the "Inquiry into the Nature and Progress of Rent," and the remaining three are new.

[15] "Principles," Preface.

Comparing the original text of the "Inquiry" with its re-use in the "Political Economy," the differences are found naturally enough to reflect the contacts and debates of the intervening five years. In particulars, Malthus assented to Ricardo's criticisms and modified his exposition. In essentials, he reinforced his original argument where controverted and took the offensive in strictures upon Ricardo's counter-contentions.

The three essential features of Malthus' theory as set forth in the "Inquiry" were: first, that rent instead of being a monopoly-like appropriation of a part of the product otherwise accruing to wages and profits, is a positive surplus imputable to "the bounty of Providence," "the gift of nature to man," and "a clear indication of a most inestimable quality in the soil, which God has bestowed on man"; second, that the causes of rent are the capacity of land to produce in excess of the amount required to maintain its cultivators, the certainty that such surplus will raise up its own "demanders," and "the comparative scarcity of fertile land"; third, that the principal causes governing the rise of rents are accumulation of capital lowering the profits of stock, increase of population lowering the wages of labour, agricultural improvements or increased efficiency of labour, and heightened demand for agricultural produce.

These contentions had been assailed in greater or less part by Ricardo in the "Essay," and again, more explicitly in the chapter "Mr. Malthus's Opinions on Rent" of the "Principles." In the last Ricardo declared that Malthus had "satisfactorily explained the principles of rent" and had thrown much light upon points "which were before either unknown, or very imperfectly understood."[16] He had nevertheless "fallen into some errors" and these Ricardo undertook to notice:

(1) Malthus supposed rent to be "a clear gain and a new creation of riches"; Ricardo maintained that it was "a creation of value, but not a creation of wealth" and "adds nothing to the resources of the country."[17]

(2) Malthus believed that the immediate cause of rent was the excess of the market price of raw produce above its cost of production, and that the causes of such excess "may be stated to be three," (a) the quality of the earth by which it can be made to yield more necessaries of life than are needed to maintain those employed upon it, (b) the quality peculiar to necessaries

[16] "Principles," p. 550.

[17] *Ibid.*, pp. 550-3.

of life of being able to raise up a number of demanders, (c) the comparative scarcity of the most fertile land. To which Ricardo rejoined that the excess of market price above cost of production was not the cause of rent but rent itself, and that the cause of such excess, that is, of the appearance and increase of rent, was not the surplus of product, since such surplus need not of necessity exceed in value the cost of production; nor was it any peculiar quality of land to raise up its own demanders, since an increased demand for food was the effect not the cause of an increase of population. The sufficient explanation was Malthus' third cause—"the necessity of resorting constantly to poorer land." [18]

(3) Agricultural improvements and greater labor efficiency, Malthus declared are "another cause of the rise of rent." On the contrary, replied Ricardo, they have a tendency to lower rent.[19]

(4) Malthus insisted that foreign corn could only be imported with national advantage if it were "so much cheaper than the corn that can be grown at home, as to equal both the profits and the rent of the grain which it displaces"; to which Ricardo answered that these were the very conditions under which alone corn would be imported.[20]

(5) Malthus agreed with Adam Smith that "no equal quantity of productive labor employed in manufactures can ever occasion so great a reproduction as in agriculture." True, commented Ricardo, as to value, but not as to riches; for riches consist of "the necessaries, conveniences and enjoyments of human life," and "one set of necessaries and conveniences admits of no comparison with another set; value in use cannot be measured by any known standard, it is differently estimated by different persons." [21]

(6) Malthus maintained that a fall in the value of raw corn produce consequent upon free imports entailed a corresponding fall in the value of all other commodities, that this involved a corresponding increase in the burden of the national debt, to the advantage of the stockholders and at the expense of "the industrious classes of society, and the landlords, that is, by all those whose nominal income will vary with the variations in the measure of value." Ricardo rejoined that since corn was in no sense the measure of value but was governed as to price like any other

[18] *Ibid.*, p. 567. [19] *Ibid.*, p. 570. [20] *Ibid.*, p. 587. [21] *Ibid.*, p. 589.

commodity by cost of production, it would not follow that "the whole money value of all the commodities in the country must sink exactly in proportion to the fall in the price of corn"; that even if there were an increase in the interest burden of the national debt, in the manner assumed, it would not be borne exclusively by the landlords and "the industrious classes of society," but would be shared by the shareholders as consumers.[22]

In reusing the "Inquiry" as the basis of the chapter on rent in his larger work in 1820, Malthus virtually disregarded Ricardo's strictures and reaffirmed his original contentions, seriatim. Rejoinder appeared as minor changes in text, insertion of controversial foot-notes and, more important, the addition of three final sections devoted to the implications of Ricardo's opinions rather than to the opinions themselves.

The minor concessions to Ricardo were admission that "the excess of price above the cost of production at which raw produce sells in the market" was not "the immediate cause of rent"—but rent itself; and enlargement of the effects of differences in the value of money in accounting for differences in the price of corn in different countries. Evidences of the influence of "modern writers," other than Ricardo, appeared in adoption of Say's concept of marginal rent; tolerance of Buchanan's association of rent with "the idea of monopoly," to the extent of regarding the Physiocratic conclusions as "unwarranted" rather than "preposterous and contradictory," and of describing "all monopolies, properly so called, whether natural or artificial" as "common monopolies," in contrast with which land is in the nature of a "partial monopoly." The distinction between "common monopolies" and "the partial monopoly of the land," which Ricardo had observed "does not apppear to me to be well founded," was elaborated so as to appear "broad and striking."

Two conspicuous passages of the "Inquiry" dealing with the effect of high prices upon the labouring classes and with the incidence of taxes imposed upon agricultural capital were entirely omitted from the "Political Economy." In the tract they had supplemented Malthus' conclusion that the high price of raw produce was "one of the most certain proofs of the prosperous condition of a country," restated with the qualification "It is not of course meant to be asserted, that the high price of raw pro-

[22] *Ibid.*, pp. 577-81.

duce is, separately taken, advantageous to the consumer; but that it is the necessary concomitant of superior and increasing wealth, and that one of them cannot be had without the other." [23]

It is "a very short-sighted view of the subject," Malthus had asserted, which "contemplates with alarm" the high price of corn as "certainly injurious" to "the labouring classes of society." On the contrary, the high price of corn, "when it has had time to produce its natural effects, so far from being a disadvantage to them, is a positive and unquestionable advantage." The purpose of the section was undoubtedly to answer Ricardo's free trade argument in the "Essay" that the high price of raw produce was unfavorable to the worker both as consumer and as employee. Malthus maintained the contrary to be the case. But impelled as he might be to make this point, Malthus was from the first assailed by doubt. "The evidence before Parliament" of "the want of connexion between the prices of corn and of labour" was inconclusive—there is an obvious limit, beyond which they cannot be separated. As to "the unusual exertions made by the laboouring classes in periods of dearness," disclosed in the same evidence—"no man of humanity could wish to see them constant and unremitted." Certainly Malthus did not. They appeared to him as the effects of a population pushed to the very extreme limits of its food:

> "There would be no resources in a scarcity. I own I do not see, with pleasure, the great extension of the practice of task work. To work really hard during twelve or fourteen hours in the day, for any length of time, is too much for a human being. Some intervals of ease are necessary to health and happiness: and the occasional abuse of such intervals is no valid argument against their use." [24]

All things considered, the results were in greater doubt than the assurance of his first statement indicated:

> "The high or low price of provisions, therefore, in any country is evidently a most uncertain criterion of the state of the poor in that country. Their condition obviously depends upon other more powerful causes; and it is probably true, that it is as frequently good, or perhaps more frequently so, in countries where corn is high, than where it is low." [25]

In 1820 the issue had become less acute and Malthus simply omitted the whole contention.

[23] "Inquiry," p. 47. [24] *Ibid.*, p. 49 n. [25] *Ibid.*, p. 51.

The possibility that the high price of corn and of labor instead of continuing "one of the most certain proofs of the prosperous condition of a country," may be considered in the case of "a state which is well peopled and proceeding rather slowly at present" as the ultimate check to the indefinite progress of a country in wealth and population—served Malthus as the prelude to a second controversial contention, the inexpediency of taxing agricultural capital.[26] Malthus insisted that "the prevailing opinion" that the high price of corn was "almost exclusively owing to the weight of taxation" was wrong and that "a cause which lies deeper" was responsible. Nevertheless it was "of great importance that these prices should be increased as little as possible artificially, that is, by taxation." Every tax which falls on agricultural capital either prevents a proposed improvement, or causes it to be purchased at a higher price. "No diminution of rent can give relief." It would relieve the farmer from "any peculiar pressure" and enable him to go on in "the common routine of cultivation with the common profits." But this new bargain would not restore encouragement to lay out fresh capital in improvements. Indeed, with a view to progressive improvements, it may be safely asserted, that "the total abolition of rents would be less effectual than the removal of taxes which fall upon agricultural capital," and "every relief from taxation must tend, under any system, to make the price of corn less high, and importation less necessary."

Malthus' argument was unconvincing and figured as a minor contention. In 1820 its political force had weakened and its doctrinal error had become more evident; it is not surprising that it should have been omitted.

When in turn, in the "Notes" Ricardo undertook a running critique of Malthus' chapter 'Of the Rent of Land,' the task assumed, in his mind, something of the quality of traversing old ground. Malthus' contentions were twice-told, and had already been discussed. Failing new evidence, rebuttal could now only take the form of reiteration.

At the very outset, however, Ricardo struck a more positive note than in the "Principles" or in the correspondence. Sismondi and Buchanan were "substantially right" in associating the idea of monopoly with land and its rent.[27] Malthus had declared that

[26] *Ibid.*, pp. 47, 52-4.

[27] "Notes," p. 44.

rents were neither "a mere nominal value" nor "a value unnecessarily and injuriously transferred from one set of people to another," but "a most real and essential part of the whole value of the national property," placed by "the laws of nature" where they are and separated from profits and wages by "a law as invariable as the action of the principle of gravity." The mode of such "separation" was that, as in the growth of a society capital increased and population multiplied, profits and wages fell. Poorer land, before unprofitable, would be cultivated, and better land afford a higher rent. All of this was contingent upon the price of produce not falling; nor would there be such a fall "so long as the industry and ingenuity of the labouring classes, assisted by the capitals of those not employed upon the land, can find something to give in exchange to the cultivators and landlords, which will stimulate them to continue undiminished their agricultural exertions, and maintain their excess of produce." [28]

Ricardo commented briefly but effectively: Malthus' theory of the "separation" of rent from profits as society progressed was similar "in principle" to his. The apparent divergences, such, for example, as the effect upon price, grew out not of the different measure of value which Malthus used, but of the inconsistent employment of that measure.[29]

Turning from the nature to the origin and cause of rent Malthus had insisted that Ricardo quite misunderstood him as saying that rent "immediately and necessarily" rises or falls with the increased or diminished fertility of the land.[30] Having given three causes as necessary to the origin of rent, he "could not possibly have meant to say that rent would vary always and exactly in proportion to one of them." Not only was the quality of the soil which yielded a positive surplus "absolutely essential to the existence of rent," but the power of particular soils to pay rent was "proportioned to this surplus" and it "must evidently be considered as the foundation or main cause of all rent." [31]

As to the second "cause of rent"—the "quality peculiar to the necessaries of life of being able, when properly distributed, to create their own demand, or to raise up a number of demanders in proportion to the quantity of necessaries produced"—Malthus urged with greater explicitness that "the tendency of an abund-

[28] "Political Economy," pp. 154-5.
[29] "Notes," p. 57.
[30] "Political Economy," p. 152.
[31] *Ibid.*, pp. 140-1.

ance of food to increase population" or "to raise up a number of demanders in proportion to the quantity of necessaries produced"—is "necessary both to give a value to the surplus of necessaries which the cultivators can obtain on the first land cultivated; and also to create a demand for more food than can be produced from the richest lands." [32]

The third "cause"—the comparative scarcity of fertile land—far from being, as Ricardo declared, the sole and sufficient explanation—was, Malthus urged with a certain excess of rejoinder, "clearly the natural consequence" of the second. It was necessary to separate a portion of the general surplus from the land, into the specific form of rent to a landlord. There might often be "a premature formation" of rent, consequent upon "bad government and unnecessary monopolies," as in parts of India and China; but it was the increase in numbers ('the principle of population'), the accompaniment of "the natural progress of a country towards wealth and population," operating upon the scarcity of the soil that initiated this separation. Rent was thus to be "traced" philosophically to the first two causes, and only dated chronologically from the third.[33]

Here too Ricardo's rejoinder was succinct: Of Malthus' three causes of rent, the first was true of every form of productive effort; no occupation that failed to yield a greater value in return than the value of the labor expended on it would be pursued. Malthus' second cause was "quite fallacious." [34] "Demanders" produced food; not food, "demanders." The increase of population depends on the means which we possess of providing for it, not on the previous provision of food. As to the sufficiency of the third "cause," assuredly he had "misunderstood" Malthus. In his tracts, in speaking of the fertility of the land and the excess of its produce beyond what is necessary to support the labourers, Malthus had said 'Diminish this plenty, diminish the fertility of the soil and the excess will disappear'; thus "he did appear to me to identify the excess or surplus produce with rent" and "to lead his readers to infer that rent rose and fell with the quantity of this surplus produce." So too in the "Political Economy": "he appears to me by his language frequently to convey an impression to the mind of his reader that rent rises and falls with the rise and fall of the quantity of surplus produce beyond what is bestowed on the actual labourers." [35]

[32] *Ibid.*, pp. 139-140, 151-2.
[33] *Ibid.*, pp. 141, 151-2, 155, 160.
[34] "Notes," p. 43.
[35] *Ibid.*, p. 53.

Malthus' doctrine as to the rise or fall of rents, as set forth in the "Inquiry," was simply that rent being the excess of market price over cost of production, whatever enhanced the former, as greater demand, or reduced the latter, as lower profits, lower wages, agricultural improvements, greater labor efficiency tended to increase rents. The operation of all of these factors seemed "quite obvious" with the exception of heightened demand, to which "a few further observations" were devoted. These had to do with the likelihood that when the market price of raw produce rises in consequence of "a great and continued demand," the expenses of cultivation will rise only "slowly and gradually to the same proportion," and that although the first effect might be "an increase of agricultural profits, without shewing itself much in the shape of rent," eventually, upon the renewal of leases, "the landlord feels the benefit of it in the increase of his rents." [36]

In the "Political Economy" Malthus elaborated his argument.[37] As to the effect of increased capital there was sensible approach to Ricardo's position. The new supply "will seek employment either in the same or other departments of industry, although with inferior returns, and this will tend to push it upon less fertile soils." The influence of increased population was treated more lightly: "In the same manner, if population increases faster than the demand for it, the labourers must content themselves with a smaller quantity of necessaries; and, the expense of labour in kind being thus diminished, land may be cultivated which could not have been cultivated before"—and rents increased.

As to the combined effect of these two causes a difference developed. Ricardo had insisted that an increase of capital or an increase of population would mean lower profits and higher wages. Malthus rejoined that the tendencies of profits and wages "to counterbalance one another" were "only temporary effects" and that "In the natural and regular progress of a country towards the accumulation of stock and the increase of population, the rate of profits and the real wages of labour permanently fall together."

Ricardo's acceptance of "the true doctrine of rent" led him to very different conclusions. An increase of capital lowered profits and raised rents; but because of the necessity of resorting

[36] "Inquiry," pp. 22-6.

[37] "Political Economy," pp. 161-2.

to less productive soils or uses of soil and not because of lessened production costs. As to increase of population, if wages fell, profits not rent would rise; if wages rose, profits not rent would fall. "In proportion as less is appropriated for wages, more will be appropriated for profits, and *vice versa*." [38] On the other hand agricultural improvements and presumably greater efficiency while raising profits instead of raising rents, actually lowered them. Malthus's four causes of the rise and fall of rent were therefore erroneous. Profits depend upon "the fertility of that land, for which little or no rent is paid," and not upon the supply of capital relative to the demand. "No mistake can be greater" than to infer that a fall of profits is a necessary consequence of an accumulation of capital. An increase of population need not necessarily lead to a fall of wages, since—"an increased demand for labour" might spring up. Should wages fall, profits and not rent would rise. Only as higher profits lead to the accumulation of capital, increased demand for labour, increase in population, higher price of food, increase of cultivation, and resort to less fertile soil—would rents rise.[39]

Ricardo's opinions as to the effects of agricultural improvements are discussed below.[40] As to the working of Malthus's fourth cause—"a great and continued demand" from foreign consumers—Ricardo, after much controversial meandering, rested his case with the conclusion "I think it can be demonstrated that rents could not rise even under the circumstances of this increased demand, unless the expenses of production were reduced, or new land of an inferior quality were required to afford the supply." [41]

In three particulars the "Notes" may be regarded as marking the culmination of the rent controversy of the two men: (a) the concept of marginal rent; (b) the effect of agricultural improvements; (c) the relation of the landlord to national welfare.

(a) The assumptions of the law of rent in its accredited form are the variations of different soils in fertility or proximity to the market, and the declining product yielded by the same soil upon the application of successive portions of labor and capital.[42]

[38] "Principles" (1819, u. 516.
[39] "Notes," pp. 60, 65.
[40] *Infra*, pp. liv-lix.
[41] "Notes," p. 69.
[42] Hollander, "The Concept of Marginal Rent," in *Quarterly Journal of Economics*, January, 1895.

With every increase in demand, cultivation is spread extensively to less fertile or less accessible soils and pushed intensively to less productive uses of soils already under cultivation. As long as land of the next poorer quality to the poorest in use is freely available, there will be an extensive margin or no-rent land, and an intensive margin or a no-rent use of land. The rent of any particular piece of land may be measured indifferently from the extensive or from the intensive margin. Specific rent is always an excess over the product of marginal labor and capital. Under normal condition this marginal expenditure occurs both in extensive and in intensive cultivation, and the marginal increment of product is derived in part from no-rent land, in part from no-rent uses of land.

This conception of the law of rent as a synthesis of a theory of differential costs in extensive cultivation and of diminishing returns in intensive cultivation emerged in outline in Malthus' "Observations"; it was revealed in the parliamentary reports, and it was incorporated in Malthus' succeeding tracts and in West's "Application of Capital to Land."

The appearance of Malthus' and West's tracts, instead of working the radical change in Ricardo's thought which has sometimes been ascribed to them, simply anticipated here as in other directions the results to which his mind was slowly but surely tending. In October 1814, in writing to Malthus, Ricardo had suggested "the cultivation or improvement of inferior lands" as the primary explanation of the rise in the price of raw produce.[43] In the "Essay," published immediately after and partly in reply to Malthus, Ricardo had clearly co-ordinated, even though not with West's explicit detail, the resort to less productive uses of old soils with the descent to less fertile or less accessible new soils as the fundamental explanation of the rise in the price of corn.[44]

By the appearance of the "Principles," the twofold aspect of the rent doctrine had become an organic part of Ricardo's thought. This was made strikingly evident two years later, in 1819, when a French translation appeared, with notes by J. B. Say, attempting to show that there is at no time any land in cultivation which does not pay some rent, and consequently that certain of Ricardo's conclusions, being deduced from the sup-

[43] "Letters to Malthus," p. 47.
[44] "Works" (ed. McCulloch), pp. 374, 379, 386, 389.

posed existence of no-rent land, were unsound. Ricardo promptly wrote to his critic:

> "In regard to Rent, Profits, and Taxation, you do not observe that my reasoning proceeds on the assumption that there is in every country "a land which yields no rent, *or* there is a capital employed on the land with a view to profit and paying no rent for it." The latter you pass over without answer."[45]

Say at once admitted the justice of the correction. The correspondence was not, however, without good; for, in the hope of preventing a recurrence of the same criticism, Ricardo inserted a note (page 518) in the second edition of the "Principles," restating and definitely refuting Say's criticism, and strengthening his own position by a significant paragraph too often neglected by critics of Ricardo:

> "It is not necessary to state on every occasion, but it must be always understood that the same results will follow, as far as regards the price of raw produce and the rise of rents, whether an additional capital of a given amount, be employed on new land for which no rent is paid, or on land already in cultivation, if the produce obtained from both be precisely the same in quantity. See p. 56.
>
> M. Say in his notes to the French translation of this work, which I have only seen since this edition was in the press, has endeavoured to shew that there is not at any time land in cultivation which does not pay a rent, and having satisfied himself on this point, he concludes that he has overturned all the conclusions which result from that doctrine. He infers, for example, that I am not correct in saying that taxes on raw produce do not fall on rent, but by elevating the price of raw produce they fall on the consumer. He contends that they do fall on rent. But before M. Say can establish this inference, he must also shew that there is no capital employed on the land for which no rent is paid, (see the beginning of this note, and pages 47 and 59 of the present work,) now this he has not attempted to do. In no part of his notes has he refuted, or even noticed that important doctrine. By his note to page 182 of the second volume of the French edition, he does not appear to be aware that it has been advanced."

It was Ricardo's firm conviction that in England, as in every other country, a body of no-rent land was in actual cultivation. In the "Inquiry" Malthus had declared "I cannot, however, agree with him [Adam Smith] in thinking that all land which yields food must necessarily yield rent. The land which is suc-

[45] Letters to Malthus, pp. 165-6.

cessively taken into cultivation in improving countries, may only pay profits and labour." [46] So in his examination of Adam Smith's doctrine of rent Ricardo asserted, "I believe that as yet in every country, from the rudest to the most refined, there is land of such a quality that it cannot yield a produce more than sufficiently valuable to replace the stock employed upon it, together with the profits ordinary and usual in that country." [47] Yet, even before his attention had been fixed upon the matter by Say's criticism, Ricardo realized clearly that the existence of no-rent land was not essential to the validity of the law of rent itself, asserting in almost the sentence with the above, "it is the same thing if there be any capital employed . . . on land which yields only the return of stock with its ordinary profits, whether it be employed on old or on new land."

It can hardly be doubted, then, that Ricardo was entirely aware that the marginal or cost-determining increment of product might or might not come from no-rent land. The normal cost of a product is regulated by "the quantity of labor bestowed on its production on that quality of land, or with that portion of capital which pays no rent," or, more briefly, "by the productiveness of the portion of capital last employed on the land," entirely independent of the fact whether it be employed in extensive or in intensive cultivation, whether as the first applied to the worst grade of land or as the last applied to better grades.

Co-ordination of extensive and intensive cultivation had from the first figured in Malthus' exposition of the nature and progress of rent. Even in the "Observations" (page 21) he had opposed a reduction of the corn duties as tending to withhold capital from agriculture, "whether this fresh capital he employed in bringing more land under the plough, or in improving land already in cultivation." In the "Inquiry" (page 32) he had adhered consistently to this two-fold aspect of the rent doctrine: "a progressive rise of rents seems to be necessarily connected with the progressive cultivation of new land, and the progressive improvement of the old," just as a fall of rents is "as necessarily converted with the throwing of inferior land out of cultivation, and the continued deterioration of the land of a superior quality." Nowhere was there any intimation of the assumptions upon which the concept of marginal rent rests, viz. neglect of intensive cultivation and insistence that the various uses to which the same

[46] Page 3 n.

[47] "Principles" (1817), p. 460.

piece of land may be put ordinarily permits marginal land to command a rent, so that marginal produce being derived from rent-paying land, rent to this extent enters as an element in cost.

Malthus was apparently converted by Say's concept of marginal rent—this despite the apparent conclusiveness of Ricardo's explanation in the 1819 edition of the "Principles," with which Malthus was of course familiar. Whether the inspiration came from Say or from some other quarter, certainly in the re-use of the "Inquiry" in the "Political Economy" Malthus made insertions and additions incorporating the marginal rent concept. Different use was made of it than that which had served Say; but the concept itself was presented and exploited in criticism of Ricardo's exposition.

Evidence of the older two-fold aspect of the rent doctrine remained in Malthus' text. The passage in the "Inquiry," cited above, associating the rise of rents with "the progressive cultivation of new land, and the progressive improvement of the old"—was retained.[48] Wages and profits fell when a given portion of labor and capital yielded smaller returns "whether on new land or old."[49] In certain cases it was "obvious that the rents are not regulated by the gradations of the soil, or the different products of capital on the same land."[50] But these were surviving traces. Malthus' position was henceforth acceptance of the marginal rent concept and this was made clear in formal avowal: "There is another inference which has been drawn from the theory of rent, which involves an error of much greater importance, and should therefore be very carefully guarded against."[51] This inference was that as inferior land is "thrown out of cultivation" the rate of profits will rise" in proportion to the superior natural fertility of the land which will then be the least fertile in cultivation." If land yielded "no rent whatever in its natural state, whether it were poor or fertile," the inference might be just. But the premises were not as thus supposed. In a civilized country "uncultivated land always yields a rent in proportion to its natural power of feeding cattle or growing wood." The produce of "the worst lands actually cultivated" can therefore never be wholly divided between profits and wages, and "the state of such land or its degree of fertility can not possibly regulate the rate of profits upon it."[52] Malthus

[48] "Political Economy," p. 178.
[49] *Ibid.*, p. 154.
[50] *Ibid.*, pp. 181, 187.
[51] *Ibid.*, p. 188.
[52] *Ibid.*, pp. 188-9.

reiterated this assumption of marginal rent again and again in new passages in the "Political Economy":

> "the price of corn in every progressive country must be just about equal to the cost of production on land of the poorest quality actually in use, with the addition of the rent it would yield in its natural state" [53]
> "what rent can be got for them (inferior lands) in natural pasture" [54]
> "the rents paid for what the land will produce in its natural state" [55]
> "the rent of such land in its natural state" [56]

In the "Notes" Ricardo gave less space to a controversial restatement of the dual aspect of diminishing returns and of the non-existence of marginal rent than to exposure of the contradiction in Malthus' exposition. The point in issue was grave: "In examining the principles of taxation this doctrine is most important, and indeed is material to every part of the science of Political Economy." [57] Malthus' text was marred by glaring inconsistency. He "refuses to admit, that any corn would be raised, in which rent did not enter as a component part." But what of the last portion of capital employed on the old land! Ricardo was here sure of his ground: "I wish therefore he had given his reason for supposing that any rent would be paid for capital so employed." If no such rent were paid, Malthus "must confess his error." As a matter of fact, Malthus had surrendered his entire contention by admitting in the immediate context, "it will always answer to any farmer who can command capital, to lay it out on his land, if the additional produce resulting from it will fully repay the profits of its stock, although it yields nothing to his landlord." [58]

(b) In no particular was the doctrinal alignment between Malthus and Ricardo, nominally, more acute than as to the effect of agricultural improvements upon the landed interest. The issue, deliberately analyzed, however resolved itself into confusion between immediate consequence and ultimate outcome. But here as elsewhere the identity underlying seeming opposition was overlooked. Contrary to his ordinary habit, Ricardo gave prominence to immediate effect; whereas Malthus, quick to resent any implication unfavorable to the landlord, emphasized final outcome.

[53] *Ibid.*, p. 183.
[54] *Ibid.*, p. 182.
[55] *Ibid.*, p. 190.
[56] *Ibid.*, p. 191.
[57] "Notes," p. 82.
[58] *Ibid.*, p. 82.

In the "Inquiry," Malthus had regarded agricultural improvements as one of the four causes governing the rise of rents—part of "a general truth" that "rents naturally rise as the difference between the price of produce and the cost of the instruments of production increases." In the progress of a country such improvements "although they are sometimes very powerful," are "rarely found sufficient to balance the necessity of applying to poorer land."[59] From this conclusion Ricardo promptly dissented. The surplus of produce obtained in consequence of "improvements in agriculture, or in the implements of husbandry" instead of causing rents to rise "will only augment profits." It will do so because "corn is rendered cheap," the real wages of labor fall, and profits, as 'the leavings of wages,' rise. This would certainly be the immediate effect. Ultimately the low price of corn caused by improvements, "by increasing profits and encouraging accumulation," would give a stimulus to population and again raise the price of corn, lower profits and raise rents. But "for a time" improvements would increase profits and lower rents.[60]

As to the losses of agricultural capital suffered by poorer lands being thrown out of cultivation in consequence of agricultural improvements or of unrestricted importation, Ricardo interjected "We might just as fairly have been told, when the steam engine, or Mr. Arkwright's cotton machine, was brought to perfection, that it would be wrong to adopt the use of them, because the value of the old clumsy machinery would be lost to us." For a time the farmers of the poorer lands would indeed be losers; but the public "would gain many times the amount of their losses." Eventually, after "the exchange of capital from land to manufactures had been effected" the farmers themselves as well as "every other class of the community" except the landlords would very considerably increase their profits.[61]

By 1815 the controversy had thus resolved itself into difference of opinion as to the net advantage of a transition, with respect to the successive stages of which there was virtual agreement. Both men believed that agricultural improvements would be followed "for a time" by cheaper corn, lower rents, higher profits and thereafter in consequence of "a stimulus to population," by higher corn, lower profits and higher rents. Malthus believed the immediate effect was the more important; Ricardo, the final

[59] Pages 27, 45. [60] "Essay," pp. 5, 17, 21, 49. [61] *Ibid.*, p. 37.

There was agreement, perhaps, too, although not as pronounced, as to the effect of improvements upon agricultural capital. In the first instance, the farmers of inferior lands would suffer losses. To Malthus, this was determining; to Ricardo, it was the inevitable wastage of economic progress.

When he wrote the "Principles" in 1817, Ricardo set forth his opinion with characteristic rigor and without attempt to reconcile his opposition to Malthus even to the extent that correspondence had developed it. In the chapter "On Rent," the argument—indexed as "effects of agricultural improvements on rent"—occupied the concluding seven pages. Such "marked improvements in agriculture" as diminished the necessity of cultivating the poorer lands or of employing the less productive portions of capital would, like the diminution of capital and population, lower rent. Whether such improvements were of a kind to increase the crop or to obtain it with less labor, the price of produce would fall and rents decline—even though not in like manner. "Whatever diminished the inequality in the produce obtained from successive portions of capital employed on the same or on new land, tends to lower rent"—and this was the service of agricultural improvements.[62]

In his chapter "Mr. Malthus's Opinions on Rent," Ricardo curtly dismissed Malthus' contention that agricultural improvements were a cause of rising rents. On the contrary they "lower rent." Nothing can raise rent but a demand for inferior land or an alteration in the relative fertility of land already under cultivation. "Improvements in agriculture, and in the division of labour, are common to all land; they increase the absolute quantity of raw produce obtained from each, but probably do not much disturb the relative proportions which before existed between them." [63]

Here, and in other incidental allusions, Ricardo's text was uncompromising. At the outset Ricardo had pointed out that the successive effects of improvement would be higher profits, accumulation of capital, increased demand for labor, higher wages, increased population, further demand for raw produce, increased cultivation and higher rent. But as against such eventual outcome, "A considerable period would have elapsed, attended with a positive diminution of rent" and upon this Ricardo's attention was fixed. An occasional "considerable," "probably," "tend-

[62] Page 71. [63] Pages 570-1.

ency" mitigated the textual severity of his inference; but in the main there was little evidence of the concessions which the closer contact of his correspondence elicited.

In the second edition of the "Principles" there is some evidence of the effect of the intervening discussion. The major passage was left unaltered; but the paragraphs dealing specifically with Malthus' contention were amplified. Improvements in agriculture do indeed give to the land "a capability of bearing at some future period a higher rent," since with the same price of food there will be a great additional quantity. But, insisted Ricardo, "till the increase of population in the same proportion, the additional quantity of food would not be required, and therefore rents would be lowered and not raised." [64]

If Ricardo's exposition was elliptical, Malthus' criticism was unsympathetic. In the re-used sections of the chapter the operation of "agricultural improvements or such increase of exertions as will diminish the number of laborers necessary to produce a given effect"—which, in the "Inquiry" (page 22) had been discussed as "quite obvious" one of the principal causes governing the rise—was developed after the manner of the correspondence. Whether such improvements tend to diminish the cost of production, or as inevitably will be the case, to extend and improve cultivation, the rents of the landlords will be increased. The stages would be: an increased supply of produce, a fall in price "of short duration," and a corresponding rise in profits, an increase of population, a recovery in price, return of profits "to their former level" and an increase of rents. Historically, this was confirmed by the fact that the very great improvements in agriculture had left profits where they were nearly a hundred years before and had "gone wholly to the increase of rents and the payments of taxes." [65] The difference between the two men was here clearly disclosed as a matter of time. As though sensible of the fact, Malthus' text made no reference whatever to Ricardo's contention.

In the added sections of the chapter, Malthus struck a much more vehement note. Written after the issue with Ricardo as to the corn laws had developed into an alignment in defence of agricultural classes as against manufacturing interests, Malthus pounced upon Ricardo's views, not only as part and parcel but as actually the main article of a provocative creed as to the

[64] Page 517.

[65] "Political Economy," pp. 164-5.

inverse relation of the landlord to social progress.[66] Ricardo had been led "by the peculiar view he has taken of rent" to state that improvements in agriculture tend rather to lower than to raise rent. Such a conclusion was possible, in the first place, only by "fanciful suppositions" that agricultural improvements were "sudden" instead of, as they were always found to be, "partial and gradual"; and in the second place, by neglecting the fact that "the increase of population occasioned by the increased facility of procuring food, soon overtakes the additional produce." Instead of land being thrown out of employment in consequence of agricultural improvement, more land is cultivated and rents must rise instead of fall. Analysis was confirmed by experience: "I doubt, if a single instance in the history of Europe, or any other part of the world, can be produced, where improvements in agriculture have been practically found to lower rents." Indeed "not only have improvements in agriculture never lowered rents, but (that) they have been hitherto, and may be expected to be in the future, the *main* source of the increase of rents, in almost all the countries with which we are acquainted."

Ricardo's rejoinder in the "Notes" was an unequivocal reassertion of his original doctrine as to the effect of agricultural improvements: "My conclusion then is in direct opposition to that of Mr. Malthus—profits on all capital employed in agriculture and manufactures would be high, and rents instead of rising would fall, because capital could not be added to the land, but would in all probability be withdrawn from it."[67] But, withal, Ricardo sought to restore the nominal difference to real accord. Improvements started a train of tendencies, as to the nature and sequence of which there was virtual agreement. An intermediate and temporary stage was hurtful to the landlord; the ultimate and permanent outcome was advantageous. The seeming disagreement thus lay in Malthus' regard for final effect and Ricardo's concern with immediate effect.

Three was some justification for Malthus' stricture in both the emphasis and the phrasing which Ricardo had used. "Mr. Malthus is for jumping over these intermediate steps," Ricardo complained.[68] But on the other hand, "It is a little singular," Malthus had noted, "that Mr. Ricardo, who has, in general kept his attention so steadily fixed on permanent and final results, . .

[66] *Ibid.*, pp. 205-7. [67] "Notes," pp. 66-7. [68] *Ibid.*, p. 65.

has always, in treating of rent, adopted an opposite course, and referred almost exclusively to temporary effects." [69] So too, although Ricardo might object "it appears to me that Mr. Malthus endeavors to magnify the difference between us," [70] there was often little evidence in the unqualified, dicta-like quality of Ricardo's expressions, of that limitation to "immediate effects" by which as far back as 1815 in commenting upon Malthus' tract on "Rent," Ricardo had characterized his dissent.[71]

Had Malthus remained content with defining the actual difference even with criticising Ricardo's unusual emphasis upon immediate effect, there would have been little occasion for rejoinder. As it was, difference as to form passed into stricture as to substance and it was from this indictment that Ricardo with a measure of just grievance sought to vindicate himself in the "Notes": "Continued improvements in agriculture might throw lands out of cultivation for years till the population could come up with the improved means of providing for it," and "if the principle of population were not so strong," such improvements might be "permanently injurious" to the landlords.[72] But Malthus' criticism had recognized no such qualifications: "Mr. Malthus has misunderstood me,—I fully acknowledge the interest which landlords have in the increased fertility of the land, and in improvements in agriculture for they cannot fail ultimately to reap the benefit. All I contend for, is, that the immediate effects are injurious to them." [73]

To this disavowal Ricardo recurred as succeeding passages in Malthus' text held him up to public disapproval as 'the enemy of the landlords':

> "it is only the immediate interest of the landlord which is at variance with the improvements in agriculture": [74]
>
> "I have indeed observed that improvements in agriculture were in their immediate effects injurious to the landlord, and beneficial to consumers, but that ultimately when population increased, the advantage of the improvement was transferred to the landlord." [75]
>
> "Mr. Malthus is not justified by any thing I have said in pointing me out as the enemy of landlords, or as holding any less favorable opinion of them, than of any other class in the community." [76]

[69] "Political Economy," p. 230.
[70] "Notes," p. 93.
[71] "Letters to Malthus," p. 59.
[72] "Notes," p. 47.
[73] "Notes," pp. 46-7.
[74] *Ibid.*, p. 92.
[75] *Ibid.*, p. 51.
[76] *Ibid.*, p. 51.

(c) The last three sections of Malthus' chapter were new. They undertook to establish "the strict and necessary connexion of the interests of the landlord and of the state," whether the country raised its own food supply or imported a major part.[77] The underlying thought was present in the "Inquiry," but what Malthus had before implied was now explicitly set forth and vigorously maintained.

The provocation was the obvious encouragement given the anti-rent outcry by Ricardo's conclusions from "the peculiar view he has taken of rent." Ricardo had declared, "The interest of the landlord is always opposed to that of the consumer and the manufacturer," and "it is for the interest of the landlord that the cost attending the production of corn should be increased, and that improvements in agriculture tend rather to lower than to raise rents."[78] To Malthus, convinced that advancing rents were the symptom of national progress and that "the interest of the landlord is strictly and necessarily connected with that of the state,"[79] this was an outright challenge and an emphatic rejoinder was attached to the re-used tract.

Harking back to Adam Smith for a manner of moral support, Malthus declared that "the interest of the landlord is closely connected with that of the state," and that "the prosperity or adversity of the one involves the prosperity or adversity of the other." This conclusion might be established by "an appeal to the most incontrovertible principles confirmed by the most glaring facts." In maintaining that rent was occasioned "solely by the increase of price, arising from the increased difficulty of production," Ricardo had taken "only one simple and confined view of the progress of rent," and "any general inferences from it must be utterly inapplicable to practice." In practice the increase of rent depended upon "natural fertility of soil, improvements in agriculture and inventions to save labour." Of these improvements in agriculture are clearly the most important.[80]

Ricardo asserted that anything which suddenly increased the fertility of the soil would result in more being produced than was needed to supply the present population, and "would for some time considerably lower rents." "Obviously true," rejoined Malthus; "but"—with an unusual show of impatience—"it is no sort of use to *dwell upon,* and draw general inferences

[77] "Political Economy," p. 204.
[78] *Ibid.*, p. 205.
[79] *Ibid.*, p. 217.
[80] *Ibid.*, pp. 204, 211-2.

from suppositions which never can take place." "What we want to know," is as to what might be expected, "living as we do in a limited world, and in countries and districts still more limited, and under such physical laws relating to the produce of the soil and the increase of the population as are found by experience to prevail." [81]

Waiving "fanciful suppositions" and relying upon actual experience, agricultural improvements," however considerable they may finally prove, are always found to be partial and gradual." Where "they prevail to any extent," there is always an effective demand for labour," and "the increase of population occasioned by the increased facility of procuring food, soon overtakes the additional produce." These results appeared to Malthus "so completely confirmed by experience" that he could "doubt, if a single instance in the history of Europe, or any other part of the world, can be produced, where improvements in agriculture have been practically found to lower rents." If rent be considered as it should be the *portion* of the value of the whole produce which goes to the landlord—and not the proportion,—as Ricardo, with his characteristic "unusual application of common terms" had considered it—rents would rise after improvements had taken place. If departing from "the accustomed and natural meaning attached to the term" and considering rents "according to the new mode of estimating them adopted by Mr. Ricardo," the same result would tend to follow "in a moderate time." [82]

There is thus "the strictest union between the interest of the landlord and that of the state" in a country which supports its own population. "The only conceivable doubt" which might arise as to such accord is in the case of a country which imports corn. At worst the landlord would not suffer more than any other producing class exposed to foreign competition—even though, Adam Smith to the contrary, he might conceivably suffer as much. In fact, however, the conditions of land tenure in most European countries were such that cultivation was carried on by tenants, whose return must be enough over and above ordinary profits, to reward them for permanent improvement effected on the soil. The increase or protection of rents due to restrictions upon imports was therefore accompanied by permanent improvements in agriculture, to the national advantage. Even to Malthus the argument, while entitled to place, was probably unconvincing.

[81] *Ibid.*, p. 206.

[82] *Ibid.*, pp. 206, 207, 214, 216.

Admitting that the position taken was "rather startling," and that the assumption of permanent improvement might not be realized, he frankly estimated its effect to be "at least a matter of doubt" whether even in such case "the interest of the state may not sometimes be the same as that of the landlords." Ricardo's error lay in, that contrary to his general practice of attending to "permanent and final results," he had in treating of rent referred almost entirely to "temporary effects." Through the same fault he had objected to Adam Smith's opinion that rents would rise if rice or potatoes replaced corn as a national food, neglecting both the gradual character of such a change and the accompanying increase of population.[83]

The final section of the chapter smacks of economic doxology, and discloses the author at his feeblest. Malthus had called the surplus yielded by land in the form of rent "a bountiful gift of Providence," to which Ricardo had objected that the non-existence of land in the same abundance and uniformity as other natural agents was surely an "imperfection" rather than a "peculiar pre-eminence" and that if the rent of land was an advantage, then it was likewise desirable that the new machinery newly constructed every year should be less efficient than the old, to the end that the old might afford a rent.[84]

Malthus' rejoinder is an association of the principle of population and the law of diminishing returns—"the laws of nature"—with the theological doctrine of design. If the necessaries of life could have been obtained without limit and human numbers doubled every twenty-five years, a single pair multiplying since the Christian era would have been sufficient to fill the earth and all the planets at the rate of four standing in every square yard. Under this principle of population, which is, Malthus interjected, "I firmly believe, best suited to the nature and situation of man," a limitation in the power of producing food is obviously necessary to man confined to a limited space." It was not easy to conceive "a more disastrous present—one more likely to plunge the human race in irrecoverable misery" than "an unlimited facility of producing food in a limited space. Accordingly, "A benevolent creator then, knowing the wants and necessities of his creatures, under the laws to which he has subjected them, could not, in mercy have furnished the whole of the necessaries of life in the same plenty as air and water." [85]

[83] *Ibid.*, pp. 217, 225, 230. [84] *Ibid.*, p. 226. [85] *Ibid.*, p. 228-9.

With two further contentions, of historical interest rather than of doctrinal importance, Malthus rests his case. The first is the benefit conferred by a rent-paying agriculture, in "that states so endowed are not obliged to pay much attention to that most distressing and disheartening of all cries to every man of humanity—the cry of the master manufacturers and merchants for low wages, to enable them to find a market for their exports." Malthus here verges on the bathetic: "If a country can only be rich by running a successful race for low wages, I should say at once, perish such riches. But, though a nation which purchases the main part of its food from foreigners, is condemned to this hard alternative, it is not so with the possessors of fertile land." [86] The closing argument is a fit climax: "Rents are the reward of present valour and wisdom, as well as of past strength and cunning. Every day lands are purchased with the fruits of industry and talents. They afford the great prize, the "*otium cum dignitate*" to every species of laudable exertion." We come thus to the summary: "In every point of view, then, . . . that quality of land which, by the laws of our being, must terminate in rent, appears to be a boon most important to the happiness of mankind." [87]

Malthus' reiterated charge that Ricardo deemed the interest of the landlord opposed to the national welfare evoked in the "Notes" the sharpest retort both as to correctness of apprehension and as to validity of criticism. Matters were not minced: "Perhaps in no part of his book has Mr. Malthus so much mistaken me as on this subject—he represents me as supporting the doctrine that the interests of landlords are constantly opposed to those of every other class of the community, and one would suppose from his language that I considered them as enemies to the state." [88] Ricardo, with characteristic indulgence in dicta, had indeed declared, "The interest of the landlord is always opposed to that of the consumer and manufacturer" and "All classes therefore, except the landlords, will be injured by the increase in the price of corn." [89] But "the whole tenor" of the "Principles" had been to show that he regarded rent and the increase of rent as "the necessary and unavoidable condition of an increased supply of corn for an increasing population," and it was "hardly fair to select a particular passage, which

[86] *Ibid.*, p. 236.
[87] *Ibid.*, pp. 238-9.
[88] "Notes," p. 50.
[89] "Principles," 423-4.

appeared to have a different meaning and which was applicable only to particular circumstances."[90] Ricardo had spoken "with great approbation" of the statement in Malthus' tract that 'the effect of landlords giving up their whole rent would not make corn cheaper,' and this was certainly "not placing the landlord in an insidious light in regard to the consumer." All that Ricardo had meant to say of "the landlord's interest" was that "it would be for his advantage that the machine which he had for producing corn should be in demand—that in fact his rent depended on it," and that, on the contrary, "it was the interest of the consumer to use the foreign machine, if that would do the work cheaper." It was only in this case that the interests of the landlord and consumer, if well understood, really came into contact. But in this case he was sure they did touch and "there is nothing which I have said that I wish to recall on that subject."[91]

Ricardo had indeed observed that improvements in agriculture were in their immediate effects injurious to the landlord and beneficial to consumers; but he had added that ultimately when population increased, the advantage of the improvement was transferred to the landlord. To this opinion he also adhered; but "in saying so I cast no reproach on landlords—they have not the power to arrest improvements, nor would it be their interest to do so if they could." In any branch of production great improvements are in their first effects injurious to the class who are engaged in that branch; but "this is the statement of a fact not of an opinion and cannot be supposed to cast any injurious reflection." Not only was Malthus "not justified by any thing I have said in pointing me out as the enemy of landlords, or as holding any less favorable opinion of them, than of any other class of the community"—but Malthus' language as well as Buchanan's were not very different from his own.[92]

Similarly, Malthus had repeatedly charged him with representing improvements in agriculture as hurtful to the interests of the landlord and with basing upon this opinion the assertion that 'the interests of landlords are opposed to those of the other classes of society.' Yet in another connection Malthus had stated that Ricardo had admitted that "improvements in agriculture tend, *in a moderate time,* to increase the *proportion* of the whole

[90] "Notes," p. 50.
[91] "Notes," pp. 50-1.
[92] "Notes," pp. 50-1.

produce which falls to the landlord's share." "Why then have I been charged with holding a different doctrine?" [93]

As to "under-rating" the 'specific surplus of land which by the laws of nature terminates in rent,' or failing to recognize it as "a gift of Providence," in the manner contended by Malthus—Ricardo challenged as to whether "in a treatise on Political Economy it should be so considered":

> "The question is not whether the Creator did not consult our real happiness by limiting the productive powers of the land, but whether the fact be not, that He has so limited it—while He has given us an unbounded supply of water, of air, and has set no limits to the purpose of the use we may make of atmosphere, the elasticity of steam and many other natural paid services rendered to us by nature." [94]

Then followed a manner of *confessio fidei:*

> "Here then once for all let me declare that I estimate as the source from which we derive all we possess the power which the earth has of yielding a surplus produce. In proportion to this power we enjoy leisure for study and the obtaining of that knowledge which gives dignity to life. Without it we could neither possess arts or manufactures, and our whole time would be devoted to the procuring food to support a miserable existence." [95]

> "It is only because the prolific powers of land in other countries are greater than those on which we must draw for our last supplies, that I would have recourse to those lands, and would consent to import corn, because as less labour would be devoted to the obtaining of food, more might be employed in getting other gratifications." [96]

Ricardo undertook to "repeat confidently" that rent is owing to the limit which nature has set to her generosity and not to the unbounded extent of it. If there were no limit to fertility, if one capital after another were equally productive, no rent could have been "generated." Malthus had complained that the earth could not contain the population that might have been born under such circumstances, and that 'The present would be a disastrous present and the human race would be plunged in irrecoverable misery.' But, is this an answer?, protested Ricardo. He had neither inveighed against Providence nor reproached Nature for a want of liberality, but had only insisted that with unlimited fertility there would be no rent and that,

[93] *Ibid.*, pp. 98-9.
[94] *Ibid.*, p. 108.
[95] *Ibid.*, p. 109.
[96] *Ibid.*, p. 109.

with conditions as they were, "the very great benefit" which society derives from the surplus produce of the land, falls, in the progress of society, mainly to the landlord. Malthus complained that Ricardo neither understood nor acknowledged this "benefit"—to which Ricardo rejoined—as the controversy threatened to degenerate into altercation: "Now I humbly contend that he has not brought forward one fact, or one argument, to shew that I have either misunderstood it, or failed to acknowledge it." [97]

It has been said that Malthus and Ricardo were in virtual agreement that with the progress of a country in wealth and population, the rent of land increased. But the process by which this came about, as conceived by the two men, was very different.

Upon Malthus, the influence of Adam Smith was still determining. Rent was the residue of product after the deduction of profits and wages. In lieu of Smith's naïve answer to the query as to why this residue must be surrendered by the farmer, that "the landlords, like all other men, love to reap where they never sowed," [98] Malthus had set forth the doctrine thereafter to figure in economic science in more or less modified form as the law of diminishing returns. The primary purpose had been to vindicate the existing landed order from radical attack, and the new doctrine was used more to explain 'the nature,' than 'the progress' of rent. As to the latter, Malthus harked back to Adam Smith's general position: "It may be laid down then as a general truth that rents naturally rise as the difference between the price of produce and the cost of the instruments of production increases." [99] With the progress of a country capital increased and population grew. These in turn meant lower profits and lower wages. Production costs thus being reduced, and prices by assumption not falling, rent rose. If costs were lowered by agricultural improvement or prices advanced by heightened demand, the same result would follow.

To Ricardo this sequence—increasing capital and population, lower profits and wages, unchanged price, higher rents—seemed both incomplete and incorrect. The real succession was high profits, new accumulations of capital, greater demand for labour, increasing population, cultivation of poorer land, higher cost of

[97] *Ibid.*, p. 109-10.
[98] "Wealth of Nations" (ed. Cannan), vol. I, p. 51.
[99] "Inquiry," p. 27.

food, higher money wages, lower profits and higher rents. Not only was Malthus at fault "for jumping over these intermediate steps";[100] but in his short-cut reasoning there were unwarranted assumptions and logical errors.

IV.

Relatively smaller space was assigned "the wages of labour" in Malthus' text—barely one-half of that devoted to rent. Even of the fifty-two pages, some twenty-five were given to an historical review of the prices of corn and labor in the five preceding centuries. Here again, the chapter suggests pre-controversial composition, perhaps as Haileybury lecture notes, to which occasional comments dissenting from Ricardo's opinions were subsequently added.

Malthus' positive doctrine was simple: The principle of demand and supply determines the wages of labour, not only temporarily but permanently. What may be called the cost of producing labour only influences wages as it regulates the supply of labour. Ricardo may have been in mind but only Adam Smith was in the first instance challenged. Neither "the esteem" in which the dexterity and ingenuity of skilled workers are held nor the "common humanity" of the employers of the unskilled account for actual wages, but only their scarcity compared with the demand.[1] Malthus' further text was discursive argument rather than systematic exposition. It was concerned nominally with the relation of wages to the condition of the labourer, the growth of population and the value of money—"the three great points which chiefly demand our attention."[2] The condition of the labourer, depends partly upon the rate at which the resources of the country are increasing, partly upon the habits of the people in respect to food, clothing and lodging. In general both factors move together for better or worse. But even when wages are high, different results may follow—a rapid increase of population or a decided improvement in the mode of living. Despotism, oppression and ignorance, tending to depress the character of the poor, contribute to the first of these results; civil and political liberty and education tending to elevate character, to the second. The rate at which the whole value of the capital and revenue of the country increases annually determines the demand for labor,

[100] "Notes," p. 65. [1] "Political Economy," pp. 245-6. [2] *Ibid.*, p. 291.

the rate of wages, both real and nominal, and subject to the foregoing qualification, the increase of population. As to a general rise in the price of corn, occasioned by an alteration in the value of money, the prejudicial effect upon the labouring classes is not likely to be felt "for more than a very few years." [3]

As might be expected, Ricardo passed over the chapter with brief comment. To the fifty-two pages of text he attached nineteen "notes." But many of these were minor in length and unimportant in content; Malthus' long historical survey escaped without notice.

Ricardo's essential criticism was, that in insisting that demand and supply and not cost of production regulate the price of labor, as of commodities in general, Malthus emphasized in opposition to Ricardo's opinion, a distinction where none existed. Somewhat unconvincingly Malthus had declared: "To shew that what may be called the cost of producing labour only influences wages as it regulates the supply of labour, it is sufficient to turn our attention to those cases, where, under temporary circumstances, the cost of production does not regulate the supply; and here we shall always find that this cost immediately ceases to regulate prices." [4] Ignoring the major fallacy, Ricardo rejoined tartly, "In many parts of Mr. M's work this opinion as applied to commodities is enforced, but I do not know by whom it is called into question." [5]

It was unavailing to insist, as Malthus did, that "The principle of demand and supply" was "the paramount regulator of the prices of labour" as well as of commodities, "not only temporarily but permanently," and in the same sentence to concede that the costs of production are "the necessary condition of the permanent supply." [6] "This is a dispute about words," declared Ricardo, "whatever regulates the supply regulates the price"; [7] and a little later in a similar connection—"Because I give different names to Mr. Malthus [terms], he thinks there is a real difference between us—in this case I think there is none." [8]

Malthus, with sub-conscious regard for the experience of the agriculturist, thought cheaper corn might—in Ricardo's somewhat unwarranted phrasing "under all circumstances and however caused" [9]—work to the disadvantage of the labourer and be unaccompanied by increase of population because of the conse-

[3] *Ibid.*, p. 283.
[4] *Ibid.*, p. 241.
[5] "Notes," p. 118.
[6] "Political Economy," p. 241.
[7] "Notes," p. 118.
[8] *Ibid.*, p. 134.
[9] *Ibid.*, pp. 122-3.

quent shrinkage of the cultivator's employing fund.[10] To which Ricardo rejoined that if with cheaper produce the employing power of the farmer were diminished "because he must make good a money rent," that of the landlord and indirectly of the labourer increased, and "in proportion as less labour was bestowed on the production of corn more would be devoted to the production of other things." [11]

Ricardo's further comments — following the text — had to do with minor or incidental matters. Adam Smith's esteem for the "dexterity and ingenuity" of skilled workers might be resolved into scarcity; but back of this, Ricardo insisted, lay cost of production—"the interest which fathers may feel to give their children this dexterity and ingenuity and the cost of giving it." [12] Ricardo's "natural price of labor" ('that price which is necessary to enable the labourers, one with another, to subsist and to perpetuate their race, without either increase or diminution') was to Malthus "a most unnatural price"—but Malthus meant by "natural" something akin to "usual"; and Ricardo explained, "By natural price I do not mean the usual price, but such a price as is necessary to supply constantly a given demand." Of the fact that such a meaning was novel and unannounced, Ricardo was characteristically oblivious: "I have done so that we may have one common language to apply to all cases which are similar." [13]

The discussion terminated in the old opposition, with Ricardo emphasizing, perhaps over-emphasizing the distinction. He himself believed that only when cheap corn results from "a temporary abundance of corn from a good harvest" has it "a tendency to diminish the effective capital of the country." A lower price caused by "the permanently diminished cost of its production," altho injurious to farmers and for a time to landlords is attended with net advantage: "all other classes receive such permanent benefits from it that the society altogether is more than compensated for these trifling drawbacks." On the other hand, Malthus "appears to think" that "under all circumstances and however caused" a fall in the price of raw produce will be attended with a diminished demand for labour."

Perhaps the most interesting feature of the chapter's "notes" is the further light thrown upon the development of Ricardo's changed views on the relation of machinery to the demand for

[10] "Political Economy," p. 258.
[11] "Notes," pp. 120-1.
[12] *Ibid.*, p. 119.
[13] *Ibid.*, p. 119.

labour, as presented in the Advertisement to the Third Edition (1821) of the "Principles" and in the added chapter (XXXI) "On Machinery."

In establishing his doctrine that the demand for labour depends on the increase of capital, Malthus examined the opinion advanced by John Barton in "an ingenious pamphlet" ("Observations on the Circumstances which Influence the Condition of the Labouring Classes of Society," 1817) that "the demand for labour can only be in proportion to the increase of the circulating, not the fixed capital."[14] After substantial admissions Malthus reverted to the orthodox conclusion that "In general, therefore, there is little to fear that the introduction of fixed capital, as it is likely to take place in practice, will diminish the effective demand for labour; indeed it is to this source that we are to look for the main cause of its future increase."[15]

Ricardo, in comment, addressed himself to Barton's original contention rather than to Malthus' denial: "The effective demand for labour must depend upon the increase of that part of capital, in which the wages of labour are paid." Larger use of fixed, as against circulating capital will result in an increase of "net income," but not of "gross income." The country, which is enriched only by the net income and not by the gross income will be equally powerful in both cases. To "the capitalist" ("the person saving capital") "it can be of no importance whether his capital consists of fixed or of circulating capital." But "it is of the greatest importance to those who live by the wages of labour; they are greatly interested in increasing the gross revenue, as it is on the gross revenue that must depend the means of providing for the population." Therefore, "If capital is realized in machinery, there will be little demand for an increased quantity of labour."[16]

It is uncertain whether at this time Ricardo like Malthus had read Barton's tract which a year later he praised as containing "much valuable information,"[17] or whether he was led to perusal by citation. In any event Malthus' unwillingness to accept Barton's argument served to arrest Ricardo's interest, and so to pave the way for that alteration of opinion as to machinery and wages which not only harrowed McCulloch's soul, but influenced, perhaps to a greater degree than has been recognized, the

[14] "Political Economy," p. 261.
[15] *Ibid.*, p. 264.
[16] "Notes," pp. 124-5.
[17] "Principles" (1821), 480.

development of the wage fund doctrine and the accompanying theory of capital through John Stuart Mill.[18]

V.

The theory of profits had been, as we have seen, a recurrent matter of discussion between Malthus and Ricardo. With each the point of departure had been Adam Smith's doctrine:

> "As capitals increase in any country, the profits which can be made by employing them necessarily diminish. It becomes gradually more and more difficult to find within the country a profitable method of employing any new capital. . . . The demand for productive labour, by the increase of the funds which are destined for maintaining it, grows every day greater and greater. Labourers easily find employment, but the owners of capital find it difficult to get labourers to employ. Their competition raises the wages of labour, and sinks the profits of stock." [1]

The impact of the differential theory of rent upon this naïve doctrine of profits was immediate. Ricardo forthwith reconstructed his opinion; whereas Malthus absorbed the new element. At first there seemed hope of reconciling the opposition. "It does not appear to me that we very materially differ in our ideas of the effects of the facility or difficulty of procuring food on the profits of stock," Ricardo wrote to Malthus on October 23, 1814, and continued: "You, instead of allowing the facility of obtaining food to be almost the sole cause of high profits, think it may be safely said to be the main cause, and also a difficulty of acquiring food the main cause of low profits. There appears to me to be very little difference in these statements." [2]

The course of events tended however to crystallize the opposition. In the "Essay" Ricardo enunciated his new doctrine with virtual finality, and in the "Principles" restatement was coupled with strictures upon adherents of the older view. Ricardo's theory, succinctly stated, was that in a progressive society the increase of income and the foregoing of expenditure result in the accumulation of capital. Such accumulation creates new demands for labor. The growth of population is thereby stimulated and the additional food requirement compels the cultivation or improvement of inferior lands. Profits will fall not

[18] "Letters to McCulloch," Introduction, xx.
[1] "Wealth of Nations" (ed. Cannan), vol. I, p. 335.
[2] "Letters to Malthus," p. 46.

only because of the increase in wages, but, more important, because more laborers will be employed without affording a proportionate return of raw produce.

In opposition, Malthus' theory as restated in the "Political Economy" was a limited revision of Adam Smith's doctrine in the light of Ricardo's formula, coupled with a vigorous dissent from Ricardo's absolutism in ignoring "the causes practically in operation." Adam Smith had dwelt solely upon "the abundance and competition of capital" as the cause of the fall of profits. In so doing he had omitted "a most important consideration"—"the quality of the land taken into cultivation." But even with the omission Adam Smith was "practically much nearer the truth" than those who dwell "almost exclusively" upon the neglected element.[3]

The factors which determine profits in accord with "the most correct theory," contended Malthus, "are the powers of the soil last cultivated" and "the proportion which capital bears to labor." To these "main causes" are to be added certain other elements which influence profits "in the actual state of things"—"improvements in agriculture," "an increase of personal exertion among the labouring classes," and "the unequal rise of some parts of capital" consequent upon "the unequal pressure of taxation" and "the different quantities of fixed capital employed." It was impossible then to assent to the conclusion, which Ricardo in his "very ingenious chapter on profits" had reached, that notwithstanding the utter inadequacy of this single cause to account for existing phenomena "in all countries, and at all times," profits depend upon "the quantity of labour requisite to provide necessaries for the labourers on that land or with that capital which yields no rent."[4]

Ricardo's rejoinder to Malthus' opinion that profits were regulated by two causes—the productivity of marginal land and the relative supply of capital—and not as Ricardo seemingly maintained, by the former factor alone, that is, by high or low wages—was conciliatory, even though unequivocal. As elsewhere, "Our only difference here is in the names we give to the same thing"—"he differs only about a name; we mean, and he knows we mean, the same thing." Malthus' "two causes" might "both be classed under the name of high or low wages." This for the reason that ordinarily, "The greater the proportion of the value of the whole

[3] "Political Economy," p. 326.

[4] *Ibid.*, pp. 300-1, 308, 313-5, 333.

produce necessary to support the labourer, the higher will be wages. The greater the quantity of capital is, compared with the labour which is to be employed, the higher will wages be." [5]

This position was expanded and reaffirmed:

> "how then can it be justly said of me that the only cause which I have recognized of high or low profits is the facility or difficulty of providing food for the labourer. I contend that I have also recognized the other cause, the relative amount of population to capital which is another of the great regulators of wages." [6]

> "I fully concur with him [Malthus] in thinking that profits never vary but from one or the other of those causes. I however endeavored to shew that they might be classed under one head, as in both cases the labourer received a larger, or a smaller proportion of the whole produce. If a larger I called his wages higher, if a smaller lower." [7]

> "Profits in fact depend on high or low wages and on nothing else." [8]

To Malthus' further comments as to the effect of agricultural improvements, labor efficiency and taxation, Ricardo's reply was characteristic insistence that a general doctrine involved no denial of specific qualifications. Malthus complained:

> "Mr. Ricardo has never laid any *stress* upon the influence of permanent improvements in agriculture on the profits of stock, although it is one of the most important considerations in the whole compass of Political Economy, as such improvements unquestionably open the largest *arena* for the employment of capital without a diminution of profits." [9]

To which Ricardo bluntly rejoined:

> "Once more I must say that I lay the very greatest stress upon the influence of permanent improvements in agriculture. The passage quoted refers to a state of things when no improvements are taking place, and therefore the argument built upon it which supposes improvements has no foundation." [10]

As to "an increase of personal exertion among the labouring classes" influencing profits "in the actual state of things"—Ricardo declared "All these circumstances come under the general cause already noticed, namely 'the proportion of the produce

[5] "Notes," pp. 134, 137, 140.
[6] *Ibid.*, p. 140.
[7] *Ibid.*, p. 139.
[8] *Ibid.*, p. 134.
[9] "Political Economy," p. 331.
[10] "Notes," p. 156.

that is given to the labourer.' The circumstances here enumerated undoubtedly affect wages, and therefore affect profits." [11]

The third of Malthus' minor amendments Ricardo reduced to the simple proposition: "profits will not fall so much as might be expected from a rise of corn, because the labourers wages, though they will rise, will be kept from rising much by the comparatively cheaper price of the other necessaries which he consumes"—and added readily, "This cannot nor has not been disputed." [12]

It is interesting to note Ricardo's reaction to the *loci classici* which distinguish Malthus' chapter. The phrases "the inevitable laws of supply and demand," "the dust of the balance," "a tenet of the new doctrine on profits and demand" [13]—excited no remark. There was no comment upon Malthus' assignment of the greater "productiveness in the powers of labour" in the epoch-making decades from 1793 to 1813 in part to "the increasing practice of task-work during these twenty years, together with the increasing employment of women and children," which "unquestionably occasioned a great increase of personal exertion," so that "more work was done by the same number of persons and families than before." [14] An eloquent passage that "every effort to ameliorate the lot of the poor" that has not the tendency "to keep the market understocked with labour" is "perfectly futile and childish" and that the workers are "really the arbiters of their own destiny" [15] met with unqualified endorsement: "The whole of this is excellent and cannot be too often and too clearly inculcated on the minds of the labouring classes." [16] Perhaps the most remarkable instance of successful prophecy in the whole body of the classical economic literature, having to do with the likelihood of "an increase in the rate of profits in this country for twenty years together, at the beginning of the twentieth century, compared with the twenty years which are now coming on," provided in the future period "capital was scanty in proportion to the demand for it owing to a war" [17]—evoked first, the exclamation, "What a number of conditions!" and then, after reduction to simplest terms "On these conditions there is no denying the conclusion." [18]

Taken all in all the chapter in text and in commentary again

[11] *Ibid.*, pp. 143, 313-4.
[12] *Ibid.*, p. 145.
[13] "Political Economy," pp. 306, 333.
[14] *Ibid.*, p. 322.
[15] *Ibid.*, p. 306.
[16] "Notes," p. 139.
[17] "Political Economy," p. 325.
[18] "Notes," p. 150.

throws into relief the differences which distinguished the two minds in philosophical manner and in doctrinal prepossession. Ricardo's concern was with general principles and in long-time tendencies. Malthus, attuned to criticism, turned to "the actual state of things"—past and present, in the manner that he had employed in establishing the principle of population and found Ricardo's doctrine at seeming variance with "the actual state of things."[19] Both men were intellectually honest and seeking earnestly for the truth. But the influence of class and association was inevitable. The dominant fact was agricultural distress, centering about unprofitable farming. To Ricardo such a decline in profits seemed normal and inevitable; to Malthus there was no such necessity and the plight of the farmer appeared unnecessary and remediable.

VI.

Malthus' scant chapter (VI) "Of the Distinction between Wealth and Value" was apparently designed as a formal counterpart to Ricardo's chapter (XX) on "Value and Riches, their Distinctive Properties," and might readily have been incorporated with the chapter on value. Incident to the major purpose, it renewed the argument that the market, and not the natural prices of commodities are "the immediate causes of all the great movements of society in the production of wealth," and insisted that market prices "always express clearly and unequivocally the exchangeable value of commodities at the time and place in which they are exchanged."[1]

A final paragraph, in this connection, with an appended foot-note suggest the adaptation of what we may suppose to have been Malthus' Haileybury exposition of Adam Smith's classic account of 'value and riches,' to the present use. In the paragraph, Malthus warned his readers that in using the term value or value in exchange he meant it to be understood "in that enlarged and, as I conceive, accustomed and correct sense" defined in his earlier chapter and "never in the confined sense in which it has been lately applied by Mr. Ricardo"—here for the first time referred to—"as depending exclusively upon the actual quantity of labour employed in production."[2] The foot-note digresses controversially: Ricardo has stated 'That commodity is alone invariable, which at all times requires the same sacrifice

[19] "Political Economy," p. 313.
[1] "Political Economy," p. 342. [2] *Ibid.*, p. 343.

of toil and labour to produce it.' But what does the term "invariable" mean here? It cannot refer to exchangeable value because Ricardo has admitted that commodities which have cost the same sacrifice of toil and labour will very frequently not exchange for each other. As a measure of value in exchange such a standard is much more variable than those which Ricardo had rejected; "and in what other sense it is to be understood, it is not easy to say."

The chapter evoked but a single "note" from Ricardo, and that directed exclusively to the foot-note:

> "I have allowed that their market prices may differ, but I say commodities so situated will have the same natural price, and will therefore have a constant tendency to agree in market value also; for natural price is the great regulator of market price." [3]

This was merely a confrontation of the old issue! Ricardo had in mind approximate invariability as to long-time conditions affecting the great body of commodities, and failed to state and restate the qualifications which he was ready, upon challenge, to admit. Malthus, puzzled or provoked, by Ricardo's ellipticism, magnified the exceptions into basic error.

VII.

Malthus' last chapter (VII) "On the Immediate Causes of the Progress of Wealth" is in bulk and in content the most important of the book. It extends over one hundred and seventy-seven pages, more than one-third of the entire text; it is subdivided into ten sections in accordance with a logical plan, and the argument although tedious and prolix in exposition is continuous and consistent. There is little or no dependence upon the earlier chapters. It might readily have been published as an essay in itself, and its composition may be assigned to an earlier date, with a final redaction incorporating dissent from Ricardo's opinions.

Malthus undertook to examine "the immediate causes of the progress of wealth." This had been the traditional purpose of economic speculation even before Adam Smith had formalized it, first in his lecture course as a discussion of "the slow progress of opulence," and later in his treatise as "an inquiry into the

[3] "Notes," p. 158.

nature and causes of the wealth of nations." To Ricardo, two generations later, "it was the most difficult and perhaps the most important topic of political economy"; to Malthus, there was still "scarcely any inquiry more curious, or, from its importance, more worthy of attention."[1] That "kind of atavism" which, Dr. Cannan remarks, is often observable in the work of professors is even more common in the work of expositors.

In his "Principles," Ricardo had set forth (Ch. XX) the "distinctive properties" of value and riches, in harmony with Adam Smith's concept of riches as "the abundance of necessaries, conveniences and enjoyments of human life." The wealth of a country might be increased in two ways—by saving and by invention. The first mode involved employing a greater portion of revenue in the maintenance of productive labor; the second mode involved employing the same quantity of labour but making this same quantity more productive. In the first case the country "would become rich by parsimony, by diminishing its expenditure on objects of luxury and enjoyment and employing those savings in reproduction"; in the second case "there will not necessarily be either any diminished expenditure on luxuries and enjoyments, or any increased quantity of productive labour employed, but with the same labour more would be produced." Of these two modes of increasing wealth, the last must be preferred, "since it produces the same effect without the privation and diminution of enjoyments, which can never fail to accompany the first mode."[2]

Malthus' philosophy as to "the most immediate and effective stimulants to the continued creation and progress of wealth" was more elaborate. An increase of produce and an increase of value, going on together, make up "that natural and healthy state of things" which is most favorable to the progress of wealth. An increase in the quantity of produce depends chiefly upon the power of production. The three great causes most favorable to production are, accumulation of capital, fertility of soil and inventions to save labour. These three factors act in the same direction—"they all tend to facilitate supply, without reference to demand." But neither separately nor conjointly do they afford an adequate stimulus to the continued increase of wealth. There must also be "a continued increase of the demand for commodities," that is, there must be "an effective distribution of the

[1] "Letters to Malthus," p. 111; "Political Economy," p. 345.
[2] "Principles" (1817), pp. 386-7.

produce." The causes most favourable to that increase of value which depends upon "distribution"—the term used by Malthus, it might be interjected, in the older sense which economists were soon to identify with "exchange"—are the division of landed property, internal and external commerce and the maintenance of unproductive consumers.[3] These six factors are discussed successively by Malthus in as many sections of the chapter.

Ricardo as critic inevitably registered a two-fold dissent to the foregoing—the one general, the other specific. He denied Malthus' entire 'theory of prosperity' and reaffirmed his own formula. He challenged the particular statements of the six sections and made reply to direct strictures. As to the general philosophy, Malthus' concept of national opulence was a condition of increasing supply of produce, accompanied by but never outrunning an increasing demand by consumers. Ricardo's doctrine, on the other hand, was that increasing national wealth depended upon more abundant or more efficient productive capital, resulting in an increased supply of goods and services. The issue between the two men thus turned on the already then time-honored distinction between value and riches. To Malthus an increase in national wealth meant an increase, certainly the maintenance of values. To Ricardo the essential condition to "the growth of opulence" was a greater supply of "the necessaries conveniences, and amusements of human life," quite apart from all question of increasing or constant values.

To this clear-cut alignment the running critique of the "Notes" steadily conformed. Upon Malthus' remarks as to the first of "the more immediate and proximate causes of increasing wealth"—the increase of population—Ricardo made no comment. He had already dissented from the doctrine of "antecedent demand," and he would naturally find himself in agreement with Malthus' general conclusion:

> "that the increase of population alone, or, more properly speaking, the pressure of the population hard against the limits of subsistence, does not furnish an effective stimulus to the continued increase of wealth, is not only evident in theory, but is confirmed by universal experience."[4]

A very different situation presented itself as to Malthus' second cause operating as a "stimulus to the increase of wealth"—accumulation, or "the saving from revenue to add to capital."[5]

[3] "Political Economy," pp. 347, 413, 426-7.
[4] "Political Economy," pp. 347-8.

It was in this connection that Malthus introduced his characteristic doctrine of the imminence of "a universal glut,"—the matter of Ricardo's direct and emphatic denial.

The conventional precepts of the moral philosophy, from which economic speculation of the eighteenth century took its source, were that frugality and thrift were public no less than private virtues. Mandeville struck a discordant note in maintaining that "spending, of necessity, benefits the community, and saving injures it"; but such influence as he exerted upon economic thought lay in other directions. The prevailing tendency was embodied and developed by Adam Smith in his discussion of the accumulation of capital:[6]

> "Capitals are increased by parsimony, and diminished by prodigality and misconduct."
>
> "Every increase or diminution of capital, therefore, naturally tends to increase or diminish the real quantity of industry, the number of productive hands, and consequently the exchangeable value of the annual produce of the land and labour of the country, the real wealth and revenue of all of its inhabitants."
>
> "Every prodigal appears to be a public enemy, and every frugal man a public benefactor."

The doctrinal beginnings of the contrary theory of over-supply of capital and over-production of commodities is traceable to the physiocratic emphasis upon consumption, in opposition to restrictions upon domestic trade, to sumptuary legislation and to mercantilist encouragement of gold imports. "La consommation est la mesure de la reproduction," wrote Mercier de la Rivière in 1767; "car des productions qui resteroient sans consommation dégénéroient en superflu sans utilité, sans valeur; & dès-lors on cesseroit de faire les avances de leur culture."[7]

This insistence degenerated into misuse. Jean Baptiste Say, in 1803, noted that,[8]

> "Beaucoup de gens voyant, en gros, que la production égale toujours la consommation (car il faut bien que ce qui se consomme ait été produit) se sont imaginé qu'encourager la consommation, c'etait favoriser la production. Les *Economistes* se sont emparés de cette idée et en ont fait un des principes fondamentaux de leur doctrine."

[5] *Ibid.*, p. 351.
[6] "Wealth of Nations" (ed. Cannan), vol. I, pp. 320, 323.
[7] "L'Ordre Naturel et Essentiel des Societés Politiques" (Londres, 1767), l. 335; cited in part by J. B. Say, "Traité d'economie politique" (1803), tom. II, l. 358 ("et les autres écrits des Économistes"), and by James Mill, "Commerce Defended" (1808), p. 76 n.
[8] "Traité" (1803), tom. II, l. 358.

James Mill, following Say, declared in 1808 that,

> "the Economistes and their disciples express great apprehension lest capital should increase too fast, lest the production of commodities should be too rapid. There is only, say they, a market for a given quantity of commodities, and if you increase the supply beyond that quantity you will be unable to dispose of the surplus." [9]

The currency of this physiocratic doctrine grew with the industrial expansion of the dawning nineteenth century. Garnier had already noted that 'a general congestion of markets was possible.' As crises multiplied uneasiness on such score agitated more and more minds.[10]

It has been customary to credit Jean Baptiste Say as the first effective opponent of the foregoing, and to regard the theory of markets ("Des Débouchés") set forth in the "Traité D'Économie Politique" as the classical rejoinder.[11] It is true that J. R. McCulloch noted, characteristically,

> "This principle had been previously advanced by Tucker, in his 'Queries on the Naturalization Bill,' p. 10; by Mengotti, in his 'Dissertazione sul Colbertismo,' p. 31; and still more clearly by the author of the tract entitled 'Sketch of the Advance and Decline of Nations,' 8vo., London, 1795." [12]

But Ricardo, in 1817, singled out from among the "several discussions, original, accurate, and profound" with which Say had "enriched" economic science the chapter "Des Débouchés" as containing "in particular some very important principles, which I believe were first explained by this distinguished writer." [13] And even McCulloch inclined to regard the "inquiry relating to gluts" as the one particular in which Say had not "left the science in precisely the same state in which he received it from Adam Smith" and appraised the manner of its presentation as "his principal merit in a scientific point of view." [14]

As a matter of fact Say's "Traité," as it first saw light in 1803, contained practically nothing of the doctrine commonly ascribed to him. The three-page chapter "Dés Débouchés" is

[9] "Commerce Defended" (1808), p. 80. Bain, "James Mill" (p. 62), also mentions a first edition of 1807. My own copy has an 1808 title page, with no intimation of being a second edition; but cf. "Letters to Malthus," p. 44 n. A "second edition" actually appeared in 1808.

[10] Gide and Rist, "History of Economic Doctrines" (Eng. trans.), p. 115.

[11] Thus "Débouchés, Théorie des, generally regarded as the main original contribution of J. B. Say to economic science" (Henry Higgs, in Palgrave's "Dictionary," *sub* Débouchés).

[12] "Literature of Political Economy," p. 21.

[13] "Principles," vi.

[14] "Literature," p. 21.

a primer-like statement that producers—as individuals or as a nation—exchange such of their wares as they are not able to consume for the surplus wares of other producers. The chapter contains a few sentences (page 154) which in the light of the mature doctrine possess interest:

> "Les échanges terminés, il se trouve qu'on a payé des produits avec des produits"

> "quand une nation a trop de produits dans un genre, le moyen de les écouler est d'en créer d'un autre genre."

But these at best suggest a state of mind. A later chapter (Bk. v. ch. iii) on the effect of consumption upon wealth: ('Si un état s'enrichit par ses Consommations') holds out promise of better things. The physiocratic doctrine, "La consommation est la mesure de la reproduction," is the initial point of attack; but the argument quickly resolves itself into an exposé of the economic waste of unproductive consumption; and the broken window story—used a few years later by James Mill and made familiar by Bastiat—may be accounted its chief merit.

The second edition of Say's "Traité," did not appear, thanks to political disfavor, until after the "délivrance" in 1814. In the new dedication—to Emperor Alexander of Russia—the author complained bitterly, "Pendant dix annees j'ai été obligé de cacher comme un crime, un ouvrage qui me semble offrir quelques resultats utiles pour les Princes et pour les Nations." The publisher, Renouard, was more philosophical: The delay of ten years had not been lost as far as the betterment of the work went. The author had recast it almost in entirety; it was more methodical in order, more concise and more complete.

For our interest, the most striking change in the new edition as it eventually appeared in 1814 was the entire rewriting of the chapter "Des Débouchés"—now become Chapter XV of Book I—into the form in which it was thereafter to figure as Say's best-known contribution to economic science. But six years before Jean Baptiste Say had thus replaced a naïve account of barter by a full-fledged theory of "markets," the classical doctrine of partial over-production had entered into English economic thought through the medium of James Mill. The occasion was the vogue of Thomas Spence's "Britain Independent of Commerce" (1807). Revamping the central doctrine of the Physiocrats, Spence had insisted that agriculture was the real source of England's strength and that there was nothing to fear from

Napoleon's blockade. The message was congenial to a feverish public mind, Cobbett gave it approval in the Political Register, and the pamphlet went to a fourth edition ("corrected and enlarged") within a few months. To Mill, as independently to Chalmers and Torrens, the argument seemed false. First in a critique in the *Eclectic Review* and later in a pamphlet of one hundred and fifty pages, "Commerce Defended," Mill made answer.[15]

Our concern lies not with the main issue—was commerce 'a source of national wealth'!—but with an argument adduced in support. In commenting upon Adam Smith's reasoning 'relative to the different effects of prodigality and parsimony upon national wealth,' Spence reflecting physiocratic influence had maintained (4th ed., p. 34 n):

> "no purchasers could be found for the goods brought into existence by the employment of new capital, if all the members of the society were to convert the greater part of their revenue into capital."

To this Mill countered at length along virtually the lines subsequently defined by Say:

> "No proposition however in political economy seems to be more certain this . . . . . The production of commodities creates, and is the one and universal cause which creates a market for the commodities produced . . . a nation may easily have more than enough of any one commodity, though she can never have more than enough of commodities in general. . . . It thus appears of what extraordinary importance to every community is the augmentation of capital. . . . Were the doctrine that it can increase too fast, as great a truth as it is an absurdity, the experience of all the nations on earth proves to us, that of all possible calamities this would be the least to be feared."[16]

It is of curious interest even though not of scientific importance to consider the respective claims of Mill and Say to authorship of the doctrine. As to chronological priority the doubt is clearly to be resolved in favor of Mill. But the larger credit of originality is not so easily assigned.

On the one hand James Mill had read Say's "Traité" before he wrote "Commerce Defended" and been impressed with Say's dissent from the physiocratic theory of over-production. Even filial pity prevented John Stuart Mill from making any larger claim than that "the merit of having placed this most important

[15] Hollander, "David Ricardo," p. 42.

[16] Pp. 81, 84-5, 86, 88.

point in its true light, belongs principally, on the Continent, to the judicious J. B. Say, and in this country to Mr. Mill." [17] Most of all, Ricardo, whose loyalty to James Mill can certainly not be questioned and whose acquaintance with "Commerce Defended" dated from its appearance, wrote deliberately in 1817 that Say's chapter 'Dés Débouchés' "contains in particular some very important principles, which I believe were first explained by this distinguished writer"; [18] and in 1820 called Hutches Trower's attention to "Mr. Say's doctrine of demand." [19]

On the other hand it is highly unlikely that in the decade of reading and active study which passed between the first and the second edition of the "Traité," Say should not have known of the Spence-Mill controversy and of the contents of "Commerce Defended." [20] When Say visited England in 1814 he was much with Mill and it was at Mill's instance that he then met Ricardo. Most of all in the succeeding correspondence with Malthus, Ricardo referred to the doctrine in such terms as "the theory of Mr. Mill," "Mr. Mill's theory," "Mr. Mill's idea," and "Mill's doctrine." [21]

The solution of the difficulty is to be sought in the doctrinal discussions and personal associations of Ricardo, Malthus, Mill and Say. The issue between Malthus and Ricardo as to the possibility of general over-production grew out of their difference as to the cause of high or low profits. Evidence of the difference first [22] appears in the correspondence of the two men in the late summer of 1814, when discussion passed gradually from the effect of corn duties upon economic incomes to the key-stone of Ricardo's arch, insistence that profits "are seldom permanently lowered by or raised by any other cause than by the cheapness or dearness of necessaries, or of those objects on which the wages of labour are expended." Malthus objected that "where profits are high, they are so because the demand for produce is great compared with supply"; that profits fall when 'the effective demand is diminished'; that "the wants and tastes of mankind"

[17] "Principles of Political Economy," Bk. iii, ch. xiv, § 4.
[18] "Principles," vi.
[19] "Letters to Trower," pp. 128, 133.
[20] The 1814 ed. of Say's "Traité," however, contains no reference to this controversy, nor any mention of Mill. Lauderdale's "Public Wealth" is the latest text cited (vol. ii, p. 38). On the other hand, James Mill's "Elements" deliberately omits all bibliographical references and foot-notes (cf. Preface) and has no mention of Say.
[21] Letters to Malthus, pp. 44, 49, 50, 53.
[22] As early as 1811 Ricardo had differed from Malthus as to the possibility of "a glut of commodities in the foreign market" (Letters to Malthus, p. 14).

are limited and that therefore accumulation of capital unless accompanied by increased demand must lead to falling profits and general over-production. Wrong on two counts, rejoined Ricardo. The "wants and tastes of mankind" are "unlimited." "Give men but the means of purchasing and their wants are insatiable." As to possible over-production growing out of the accumulation of capital, Adam Smith had given the cue in discussing the policies of the East India Company—'the cheapness of consumption and the encouragement given to production: precisely the two effects which it is the great business of political economy to promote.' It was on this assumption that "Mr. Mill's theory" was built:

> "It does not attempt to say what the proportions will be to one another of the commodities which will be produced in consequence of the accumulation of capital, but presumes that those commodities only will be produced which will be suited to the wants and tastes of mankind, because none other will be demanded." [23]

The above was written in October 1814, just before Say had visited Ricardo at Gatcomb Park, where he had come "from London at the request of Mr. Mill, who wished us to be acquainted with each other." Intercourse and discussion naturally induced a reading or re-reading of the new edition of Say's "Traité," with the result that Ricardo found that the theory of markets which he had theretofore drawn from Mill, for use in the profits controversy with Malthus, was also entertained by Say:

> "M. Say, in the new edition of his book, p. 90, vol. 1, supports, I think, the very [same] doctrine that demand is regulated by production. Demand [is] always an exchange of one commodity for another. The shoemaker when he exchanges his shoes for bread has an effective demand for bread, as well as the baker has an effective demand for shoes,—and, although it is clear that the shoemaker's demand for bread must be limited by his wants, yet whilst he has shoes to offer in exchange he will have an effective demand for other things,—and if his shoes are not in demand it shows that he has not been governed by the just principles of trade, and that he has not used his capital and his labour in the manufacture of the commodity required by the society,—more caution will enable him to correct his error in his future production." [24]

Thereafter the full exposition of the doctrine in the "Traité"

[23] "Letters to Malthus," pp. 41, 49-50, 51.
[24] "Letters to Malthus," pp. 53-4.

as contrasted with the brief outline in "Commerce Defended" led Ricardo to associate the authorship with Say rather than with Mill. In 1817 in the Introduction to the "Principles," Ricardo declared that Say had not only placed economic science "in a more logical, and more instructive order," but had "enriched it by several discussions, original, accurate and profound"—among which the discussion of 'the vent or demand for products' (Des Débouchés) "contains in particular some very important principles, which I believe were first explained by this distinguished writer." In chapter (XIX) on the 'Effects of Accumulation on Profits and Interest,' while not prevented "from commenting with that freedom which he thinks the interests of science requires, on such passages . . . as appeared at variance with his own ideas," Ricardo explicitly incorporated Say's doctrine of markets into his own theory of profits:

> "No man produces, but with a view to consume or sell, . . . Productions are always bought by productions, money is only the meduim by which the exchange is effected. Too much of a particular commodity may be produced, of which there may be such a glut in the market as not to repay the capital expended on it; but this cannot be the case with respect to all commodities;" [25]

The re-appearance of the theory of general over-production in controversial part in Malthus' "Political Economy" presented itself to Ricardo, thus doctrinally entrenched, as a summons to the somewhat unwelcome task of thrashing a dead horse. A running commentary must take account of major issues, just as specific strictures called for direct rejoinder. But there was a trace of restlessness in many of Ricardo's comments, passing at times into curtness.

In the "Notes" the doctrine of "a glut of commodities in general" seemed to Ricardo "by far the most important topic of discussion in Mr. Malthus work." [26] He combatted it in greater detail than in the "Principles," but without doctrinal alteration from the Say-Mill rejoinder: [27]

> "if the commodities produced be suited to the wants of the purchasers, they cannot exist in such abundance as not to find a market" . . .
>
> "it is at all times the bad adaptation of the commodities produced to the wants of mankind which is the specific evil, and not the abundance of commodities."

[25] "Political Economy," pp. 400, 403.
[26] "Notes," p. 162.
[27] "Notes," pp. 160-1.

The "cure" which Malthus hesitatingly recommends" was pressed with characteristic incisiveness *ad absurdum*. If "a general stagnation of trade" has resulted from lack of consuming desire,

> "we cannot do better than follow the advice of Mr. Malthus, and oblige the Government to suppply the deficiency of the people. We ought in that case to petition the King to dismiss his present economical ministers, and to replace them by others, who would more effectually promote the best interests of the country by promoting public extravagance and expenditure." "We are it seems a nation of producers and have few consumers amongst us, and the evil has at last become of that magnitude that we shall be irretrievably miserable if the parliament or the ministers do not immediately adopt an efficient plan of expenditure." [28]

A clear-cut difference inevitably developed between the two men as to the part played in the continued increase of wealth by Malthus' second "great great cause most favorable to production"—fertility of soil. Malthus, intent upon his doctrine of "the necessity of a union of the powers of production with the means of distribution, in order to ensure a continued increase of wealth," [29] declared that fertility did not of itself afford "an adequate stimulus" to national enrichment. It constituted the greatest "natural capability" for such increase; but enlarged supply would not be realized if a correspondingly enlarged demand were not present. Thus after the necessaries of life were obtained, the workman might "consider indolence as a greater luxury than those which he was likely to procure by further labour"; or "the necessary machinery, the necessary skill in using it, and the necessary intelligence and activity of superintendence," required to produce such conveniences and luxuries might be lacking. Malthus thus reached the general conclusion "That the power of supporting labour may often exist to a much greater extent than the will." [30]

Ricardo, on the contrary, maintained that 'those who have food and necessaries at their disposal will not be long in want of workmen, who will put them in possession of some of the objects most useful and desirable to them.' [31] Malthus' insistence that, "in general, the fertility of the soil alone is not an adequate stimulus to the permanent increase of wealth"—held, only in the remote event that "the people be indolent, be well paid, and be

[28] *Ibid.*, p. 162.
[29] "Political Economy," v-vi.
[30] *Ibid.*, pp. 375, 378-9, 401.
[31] "Political Economy," p. 363.

easily satisfied."[32] Otherwise the workers would exercise their industrial skill, under the impulse of capitalists desirous of securing profits, to produce conveniences to satisfy their wants. "What limits the ability," Ricardo challenged, "of those possessed of the means of commanding labour of obtaining those useful and desirable objects, but the price of labour? If it be high, the labourers will have the means of getting a part of these luxuries, if it be low, almost the whole will go to those who have the means of employing them."[33] This was an old story—at best a variant of the general difference.

The more interesting feature of the chapter is the light thrown upon the mental habit, certainly upon the controversial method of the two men. Malthus based his dissent less upon general analysis than upon particular evidence. Ricardo's contention "appears to be directly contradicted by experience." Passing over "the crowd of countries which tend more or less to illustrate and confirm by their present state the truth" of his strictures, Malthus virtually rested his case upon conditions in Ireland, and the Spanish dominions in America as described by Humboldt.[34]

To Ricardo the citation of specific instances of different complexion seemed a clear evasion of the issue. His own observations "applied to this country and not to countries only half civilized." In Malthus' text, "An argument concerning the skill, state and power of the most improved country is answered by a reference to the state of unimproved countries where they are without skill, and without even a knowledge of the comforts of the commonest conveniences." Reversing his familiar complaint that Malthus habitually treated his opinions as 'more general' than was intended, Ricardo voiced a contrary grievance:

> "Because I said, in reference to this country, and countries resembling it, 'If I had food and necessaries at *my* disposal *I* should not be long in want of workmen who would put me in possession of some of the objects most useful or most desirable to me' Mr. Malthus has put the proposition in the most general form and says 'It has been said that those who have food and necessaries at their disposal will not be long in want of men, etc. etc. He then refers to South America . . . "[35]

So too as to Ireland. Malthus maintained that its landlords and capitalists—"the possessors of food and necessaries"—had not been able to obtain "the objects most useful and desirable

[32] "Notes," p. 187.
[33] *Ibid.*, p. 185.
[34] "Political Economy," pp. 377, 382.
[35] "Notes," pp. 176, 178, 181.

to them in return," because of "the very general prevalence of habits of indolence" consequent upon the power which it possessed, thanks to potato diet, "of supporting a much greater population than it can employ." To which Ricardo rejoined that, relative to productivity, wages in Ireland were high and profits consequently low and that inability of landlords and capitalists "to obtain the objects most useful and desirable to them with the quantity of food and necessaries they possess" resulted, first, from the low state of skill and industry in Ireland and second from the impossibility of exporting its "peculiar food and necessaries" in exchange for the products of the skill and industry of other countries. Having set forth so much for logical completeness, Ricardo concluded with some impatience:

> "But what have all these suppositions to do with England, the country of which I was particularly speaking? Is there any want of skill and industry there. Are there no objects useful and desirable to be procured by those who have the means of commanding labour?" [36]

Three years before Ricardo had written to Malthus in an illuminating and often-quoted passage:

> "It appears to me that one great cause of our difference in opinion on the subjects which we have so often discussed is that you always have in mind the immediate and temporary effects of particular changes, whereas I put these immediate and temporary effects quite aside, and fix my whole attention on the permanent state of things which will result from them." [37]

Torrens put the matter more bluntly:

> "If Mr. Ricardo generalizes too much, Mr. Malthus generalizes too little. If the former occasionally erects his principles without waiting to base them upon a sufficiently extensive induction from particulars, the latter is so occupied with particulars that he neglects that inductive process which extends individual experience throughout the infinitude of things, and imparts to human knowledge the character of science." [38]

As a matter of fact Ricardo's doctrines were no more 'universal' than 'perpetual.' Had a distinction as to place rather as to time engaged him, we may conceive Ricardo to have written in criticism to Malthus:—'You always revert to some remote or unusual condition whereas I fix my whole attention on the local and ordinary state of things.' In this connection

[36] *Ibid.*, pp. 184-5.
[37] "Letters to Malthus," p. 127.
[38] "Production of Wealth," pp. iv-v.

Ricardo had in mind the England of his day—a country densely populated, abounding in "capital, skill, commerce and manufacturing industry," and with limitless desires. Malthus cited in rebuttal new Spain and Ireland—imperfectly developed peoples desiring neither conveniences nor luxuries, indolent and lacking skill and without foreign outlet for their wares. To a greater degree perhaps than he himself realized Ricardo's theories were related to the time and the place in which they were conceived. Dr. Cannan has accurately observed that "Among all the delusions which prevail as to the history of English political economy there is none greater than the belief that the economics of the Ricardian school and period were of an almost wholly abstract and unpractical character." [39]

Malthus' discussion of "inventions to save labour" as a stimulus to national enrichment was brief and disjointed. "After all it is difficult to understand what Mr. Malthus would wish respecting the use of machinery," complained Ricardo with a certain justice.[40] His own views on the subject were probably at this time on the verge of change, and Malthus' clouded discussion offered little help in the transition.

In general Malthus applied his characteristic philosophy. Inventions "which substitute machinery for manual exertions," like accumulation of capital and fertility of soil come under the head of "facilities of production," of which full use cannot be made unless the power of increased supply which it furnishes be accompanied by an increased demand. On the contrary, rejoined Ricardo in usual manner, "demand depends only on supply" and "the means of obtaining abundance of commodities can never be otherwise than beneficial." [41]

When Malthus faced squarely the experience of England "during the last thirty years" in the introduction and use of machinery, the sweep of his generalization narrowed to a qualified conclusion that might very well have been derived, unaided, from the optimism of Adam Smith and the economic liberals that despite the inconveniences and losses of temporary displacement the introduction of machinery into industry redounded to the advantage of the wage-earners and of society in general: "I quite agree with Mr. Ricardo, however, in approving all saving

[39] "Theories of Production and Distribution," p. 383.
[40] "Notes," p. 197.
[41] *Ibid.*, p. 198.

of labour and inventions in machinery; but it is because I think that their tendency is to increase the gross produce and to make room for a larger population and a larger capital." Machinery, by saving labour in production, brings goods into the market at a cheaper rate than before. But this advantage will be realized only if attended by "an adequate extension of the market." If the commodity be not of a kind that "its consumption can extend with its cheapness," the increase of wealth resulting from the new machinery will be "neither so great nor so certain" in consequence of "the considerable loss" in "withdrawing capital from one employment and placing it in another." [42]

Of the possibility of present "demanders" buying more of the cheapened product—the later principle of 'elasticity of demand'—Malthus made no mention—nor indeed of the possibility that such cheapening might uncover new strata of domestic demanders. The possibilities which he entertained were (a) foreign outlet for the cheapened product or for the product of the released capital and labour and (b) domestic demand insufficient by reason of indolence and sluggish desire to absorb the increased cheapened product or its alternatives.

Ricardo agreed that the shift of capital from one employment to another, consequent upon invention might result in "a considerable loss"; but it could "never be equal to the advantage resulting from the discovery of the machine." "The individual may suffer but the community benefits." Malthus maintained that because the capital estimated at the current price of labour is of less value, it will really employ less labourer; and unless more menial servants were used to the extent that capital is immobile "many persons would be thrown out of work." By no means rejoined Ricardo: "The power of employing labour does not depend upon the value of the capital, but depends specifically upon the annual quantity of produce which it will yield." The point "in which society is chiefly interested" is "that the actual means of enjoyment should be increased, and that in the distribution of these enjoyments a smaller quantity should not fall to the share of the most numerous class of the people." Even Malthus admitted this in acknowledging that 'the whole capital would yield a greater produce.' The same money capital will be applied in the support of labour, and as there has been no change in numbers, the same money wages will

[42] "Political Economy," pp. 402-4, 426 n.

be paid. In consequence of cheapened cost "each man's wages will procure him greater enjoyment," and if as is probable, the released capital "could be made useful in any other manufacture," there would be further increase of produce and still greater advantage to consumers.[43]

Malthus was in error in thinking that "nothing could be done without the extension of foreign trade." "Are we all satiated with our own productions?," challenged Ricardo. "Would none of us like more and better clothes, an increase of furniture, more carriages and horses, and better and more commodious houses?" If the labourer has no wants, his employer is certainly not without them. If the merchant prefers to live on the interest of his funds, "there are hundreds and thousands in such a country as this, who under any degree of improvement that can be contemplated as probable would be happy to furnish the activity and attention necessary to obtain commodities, which to them must be sufficiently desirable, with the funds of others, if entrusted to them for that purpose." [44]

The outcome of the discussion left the issue between the two men fairly defined—at least as regarded by Ricardo. Both agreed that if a country possessed an adequate foreign market, even "the most extensive use of machinery" would be beneficial. Ardent free trader that he was, Ricardo could not resist from scoring at this stage:

> "It is singular that Mr. Malthus who estimates so justly at its value the benefit resulting from the extension of the market, should so much underrate the advantages which would be derived from a free trade in corn. Extension of the market, and free trade, are two names for the same thing, for what can give a greater extension to the market for our cotton goods, cloth, and hardware, than the admitting freely the commodity with which foreign countries can most conveniently purchase them." [45]

But even if the country possessed no such outlet Ricardo maintained that it would "nevertheless derive unmixed advantages" from "inventions to save labour"—as from accumulations of capital and improved fertility of soil. Because "demand depends only on supply," "abundance of commodities can never I think be otherwise than beneficial"; whereas Malthus insisted that in many cases these would be "disastrous presents"—unless accompanied by demand to make them beneficial.[46]

[43] "Notes," pp. 187-9.
[44] *Ibid.*, pp. 190-1.
[45] *Ibid.*, p. 195.
[46] *Ibid.*, p. 198.

The difference between Malthus and Ricardo as to machinery is associated with a fundamental difference in opinion as to the service which it rendered, this in turn resting upon opposed theories of social policy. Malthus saw in machinery the possibilities of increasing gross produce and of enlarging population and capital, and of thus making the country richer and more powerful. An increased export was the only certain method by which these results could be obtained. To Ricardo the advantage of machinery lay in that commodities were thereby made more abundant and cheaper and "consequently each man's wages will procure him greater enjoyments." This was "the point in which society is chiefly interested," for clearly "it is desirable that the actual means of enjoyment should be increased, and that in the distribution of those enjoyments a smaller quantity should not fall to the share of the most numerous class of the people." [47] Such results would accrue irrespective of an increased foreign trade. Improvements can not be "otherwise than beneficial to us under any circumstances. Mr. Malthus' argument is that they can." [48]

As intimated above, Ricardo's views upon machinery were at this very time on the verge of what he himself termed "a considerable change"—even though the alteration be neither assignable to Malthus' influence nor conformable to his opinion.[49] The third edition of the "Principles" apppeared in 1821 with a new chapter 'on the subject of Machinery, and on the effects of its improvement on the interests of the different classes of the State.' Ricardo gives no other explanation of the origin of the change than "further reflection," and the only clue is that afforded by the citation in the chapter of a paragraph from Barton's tract "On the Condition of the Labouring Classes of Society," with commendatory expressions:

> "Mr. Barton, in the above publication, has, I think, taken a correct view of some of the effects of an increasing amount of fixed capital on the conditions of the labouring classes. His Essay contains much valuable information."

Ricardo's contention was, in brief, that when "improved machinery is *suddenly* discovered, and extensively used"—capital will be diverted from existing employment, instead of being saved and accumulated as happens when "discoveries are gradual." In

[47] *Ibid.*, p. 189.
[48] *Ibid.*, p. 194.
[49] Hollander, "David Ricardo," pp. 101-2.

the case of such diversions there may result "a diminution of gross produce; and whenever that is the case, it will be injurious to the labouring class, as some of their number will be thrown out of employment, and population will become redundant, compared with the funds which are to employ it."

Immediately upon its appearance, Ricardo caused a copy of the new edition of the "Principles" to be sent to McCulloch. Nothing more than bare intimation of a radical change in view preceded actual transmission of the printed chapter, and the effect upon McCulloch, who in an article in the *Edinburgh Review* (March, 1821) on the "Effects of Machinery and Accumulation"—had just declared: "no improvement of machinery can possibly diminish the demand for labour, or reduce the rate of wages," was dismay and indignation. In forwarding the volume Ricardo invited criticism and the warmth of the reply suggests how deeply the soul of the Scotch economist was harrowed at the fancied apostasy; "it will arm those who have contended that Political Economy is a fabric without a foundation, with any additional arguments in favor of that opinion" . . . "little did I expect after reading your triumphant answer to the arguments of Mr. Malthus that you were so soon to shake hands with him, and to give up all." Ricardo's response was characteristically modest but firm, and the vindication which accompanied it helpfully supplements the formal exposition of his changed thought. The issue having been clearly defined, further discussion was by tacit consent omitted. But Ricardo lost no legitimate opportunity to reassert his opinion, and McCulloch's attitude had in 1825 so far changed that he could speak of the "Case supposed by Mr. Ricardo, with respect to Machinery" as "possible, but exceedingly unlikely ever to occur."

In treating 'of the necessity of a union of the powers of production with the means of distribution, in order to ensure a continued increase of wealth,' Malthus had departed from the almost "technical" sense in which the term "distribution" had come increasingly to be used by the political economists of his generation and had reverted to its popular implication. Indeed only the most general aspect of that first alternative of "the ordinary non-economic use of the term" which Dr. Cannan has defined as "In what manner or by what means is the produce parcelled among those who receive it" [50]—was present in Malthus'

[50] "Theories of Production and Distribution," p. 183.

mind. Thus he wrote "if all the roads and canals of the country were broken up, and the means of distributing its produce were essentially impeded"; and "it is obvious that if it [the produce of the country] were so distributed as not to be suited to the wants, tastes and powers of the actual population in different situations. . " and "if the means of distributing the produce of the country were still further facilitated. . "[51]

Ricardo, to whom in accord with Say and James Mill, "distribution" meant the allotment of the produce of the earth among landlords, capitalists and labourers and the laws which regulate such allotment, that is, "the natural course of rent, profit and wages,"—passed over Malthus' reversion to the popular use of the term and concerned himself only with the argument.

To Malthus' primary contention, Ricardo answered freely that "a faulty distribution"—using the term in Malthus' sense—would be unfavorable to "the continued increase of wealth"; but he insisted that allowing every man to produce what he pleases, and to consume the commodity himself, or to exchange it for the produce of other men's labour offered the best security for securing this result. Every man's "power of demanding commodities must depend on the ability with which he selects the objects he produces." Beyond this the discussion reverted to Malthus' old argument. To stimulate a country to increased production, that is, to increase its wealth, the produce of the country must be subject to increased demand, that is, it must gain in value; to gain in value it must command more labour than usual at the same price—commanded labour being the serviceable measure of value. "I fear I am wearying the reader by so long dwelling on the subject," lamented Ricardo, but Malthus' reiterations compel it, for he "loses no occasion of insisting on the importance of demand, in stimulating countries to exertion, and is always fearful of a deficiency of this invigorating force."[52]

First, the entanglement as to "embodied labor" as a measure of value. Suppose population to become "redundant," and a lower commodity price of labor to result. According to Malthus, the value of the country's produce would have increased and its production be stimulated. In reality, commented Ricardo, in such case, commodities would have remained at the same value, labour would have fallen and profits risen. Aggregate demand would be unchanged, the masters having more to consume and the men

[51] "Political Economy," p. 414.
[52] "Notes," pp. 198, 200.

less. There would be increased production accordingly as the masters accumulated or spent their increased incomes: "I never wish to see the exchangeable value of the mass of commodities command more labour than usual 'at the same price,' for great as I estimate the benefits resulting from high profits I never wish to see those profits increased at the expense of the labouring class." Indeed, "I am sure that Mr. Malthus has the same feeling as myself on this subject, and does not perceive that this is the condition annexed to the increased value of the mass of commodities without an increase of their quantity." What is to be desired is "to increase the quantity of commodities without increasing their value." The rate of profits will be increased no less, but it will result from the increased productiveness of the labour, and not be at the expense of the labouring class. When Malthus observed that "never, but in the most unnatural state of things" would in consequence of improvements, commodities be able "to procure the same quantity of work to be done" as if twice as much labour had been embodied therein, Ricardo promptly rejoined: "I know it, and am rejoiced at it. If they could, all the advantage would go to profits. It is highly desirable that a part should go to increase the enjoyments of the labourer." [53]

Malthus' argument, here as elsewhere, tended to exalt the "gross" at the revenue of the "net" revenue of the country, as the object of national concern. He had shown uneasiness at this relegation to secondary importance of "the amount of disposable produce, or the fund for taxation," had regretted that its inclusion within a definition of national wealth "seems to be in its nature impossible" and had introduced various palliating considerations. But the conclusion even in dilute form was in direct opposition to Ricardo's philosophy, and a foot-note added to Malthus' completed section joined issue sharply with the views set forth in Ricardo's chapter 'On Gross and Net Revenue':

> "I should not hesitate a moment in saying, that a country with a neat revenue from rents and profits, consisting of food and clothing for five millions of men, would be decidedly richer and more powerful, if such neat revenue were obtained from seven millions of men, rather than five supposing them to be equally well supported. The whole produce would be greater; and the additional two millions of labourers would some of them unquestionably have a part of their wages disposable." [54]

[53] "Notes," p. 202.

[54] "Political Economy," pp. 424-5.

Malthus agreed with Ricardo in approving all savings of labour and inventions of machinery—this, even before Ricardo's change of heart; "but it is because I think that their tendency is to increase the gross produce and to make room for a larger population and a larger capital." Were "the saving of labour" accompanied by the effects stated by Ricardo, he "should agree with M. Sismondi and Mr. Owen in deprecating it as a great misfortune." [55] Ricardo's answer was directed exclusively against that part of Malthus' comment which assumed that the additional "two millions of labourers" "would some of them unquestionably have a part of their wages disposable." In such event, that part entered into the neat revenue of the country. He did not deny that wages might be such as to make the laborers contribute a part of the neat revenue. But in this connection "I limited my proposition to the case when wages were too low to afford him any surplus beyond absolute necessaries." In assuming the contrary, by failing to note that Ricardo had assumed that the seven millions would be "required," Malthus had changed Ricardo's proposition, not refuted it.[56]

The passage is interesting as an instance of the manner in which Ricardo despite his clear appreciation of the frequent existence and high desirability of real wages being above the necessary minimum, rested a considerable argument upon the contrary assumption; and of the sharp contrast between the definiteness of his thought and the vagueness of his expression. If Ricardo's comment was effective, it was by reference to his intention rather than to his text.

Malthus' further objection that in the event of such a "change," a considerable part of the capital and people must become "redundant and useless"—was reiteration of the wastage incident to abrupt introduction, and Ricardo made no answer. On the other hand, the occasion was embraced to answer Say's stricture upon a related passage, and to insist that the argument had to do with a specific matter, "and was not considering what was undoubtedly on any other occasion most worthy of consideration the happiness of so many human beings, yet he [Say] speaks as if this consideration was wholly unimportant in my estimation—I assure him that he has done me injustice—it was not one moment absent from my mind, nor did I fail to regard it with its due weight." [57]

[55] *Ibid.*, p. 426.
[56] "Notes," p. 208.
[57] *Ibid.*, p. 208.

Turning from his review of the factors insufficient, singly or in aggregate, to operate as "a stimulus to the continued increase of wealth" Malthus devoted the remainder of his text to the three "causes" most favourable to "that increase of value which depends upon distribution"—the division of landed property, internal and external commerce, and the maintenance of unproductive consumers.

In the first of these, dealing with "the division of landed property," Malthus had voiced the characteristic Toryism of the English landed interest, mitigated in spots by the saner view of a social philosopher. A country with a comparatively small body of very rich landed proprietors and a large body of very poor workmen will never "push both the produce of the land and manufactures to the greatest extent, that the resources and ingenuity of the country would admit." Again invoking his favorite doctrine of "proportions"—upon which "all the great results in political economy, respecting wealth, depend"—in the matter of landed and other property, "a division to a certain extent must be beneficial, and beyond a certain extent prejudicial to the increase of wealth." In confirmation, Malthus reverted, at the expense of disastrous prophecy—perhaps the extreme instance in the chequered range of economic prevision—to the "fearful experiment" then making in France, where the new law of succession divided property of all kinds among all the children equally, without right of primogeniture or distinction of sex. Recognizing that the law had not yet prevailed long enough to show what its effects were likely to be on the national wealth and prosperity, and conceding certain saving possibilities, Malthus nevertheless insisted "there is every reason to believe, that the country, at the end of a century, will be quite as remarkable for its remarkable poverty and distress, as for its unusual equality of property." Such a state of things could not be "favourable to the existence and duration of a republic" in France. Indeed considering "how extremely difficult it is, under any circumstances, to establish a well-constituted republic, and how dreadfully the chances are against its continuance, as the experience of history shews; it is not too much to say, that no well-grounded hope could be entertained of the permanent prevalence of such a form of government." [88]

All of this as preliminary to emphatic disapproval of any

[88] "Political Economy," pp. 432-4.

proposal to abolish the right of primogeniture and the law of entails in England. Not only were the great land owners of use "in furnishing motives to the merchant and master-manufacturer, to continue the exercise of their skill and powers till they have acquired large capitals, and are able to contend in wealth with the great landlords"; but the right of primogeniture by forcing the younger sons of the nobility and great landed proprietors into "the higher divisions" of "what may be called the middle classes of society" had "for all practical purposes, annihilated the distinctions founded on rank and birth," and infused "energy and activity into professional and commercial exertions." [59]

Even more; there were "higher considerations to be attended to than those which relate to mere wealth." It was "an historical truth which cannot for a moment be disputed" that "the first formation, and subsequent preservation and improvement of our present constitution, and of the liberties and privileges which have so long distinguished Englishmen, are mainly due to a landed aristocracy." We were "certainly not warranted by any experience to conclude that without an aristocracy, which cannot certainly be supported in an effective state but by the law of primogeniture, the constitution and liberties so established can be in future maintained." If then "the British Constitution" and its history of achievement be valued, "it would be most unwise to venture upon any such change as would risk the whole structure, and throw us upon a wide sea of experiment, where the chances are so dreadfully against our attaining the object of our search." [60]

The section evoked but four brief "notes" from Ricardo.[61] Of these the first dealt with Malthus' observation that the rapid progress of the United States had been greatly aided by foreign commerce, and "particularly by the power of selling raw produce, obtained with little labour, for European commodities which have cost much labor." As a matter of fact, commented Ricardo, it is of no consequence to America, whether the commodities she obtains in return for her own, cost Europe much, or little labour, "all she is interested in, is that they shall cost her less labour by purchasing than by manufacturing them herself." Equally incidental was his dissent from Malthus' opinion that the great land holdings of the middle ages were responsible for the scant supply of manufactured products by preventing "a greater number of

[59] *Ibid.*, p. 436.
[60] *Ibid.*, pp. 437-8.
[61] "Notes," pp. 209-11.

demanders who were able to purchase the results of productive labour." What difference could it make, whether there was one great demander or a great many small ones? "It was not demanders, but producers and accumulators of capital that were wanted." Of greater interest was his reasoned dissent from Malthus' dire picture of the "fearful experiment" then making in France in the division of property, at death, among all children equally. Why should this law occasion so great a subdivision of property? Not only would prudence in marriage counteract it—a possibility for which Malthus had explicitly allowed—but the further acquisition of wealth by each member of the family would multiply the original patrimony. "Is not this practice actually prevailing in England in all families excepting the Aristocratical?"—he asked pertinently. "Do not all the merchants, bankers, manufacturers, farmers, shopkeepers, etc., etc., divide their property equally amongst their children, and are any of the ill effects, expected by Mr. Malthus, in the case of France, found to proceed from it?" As to the actual apportionment of land amongst children, it by on means followed that the parcels would be separately cultivated or even continued to be separately owned. Then, with keen insight, "Sales would be made, and leases would be granted, and as well as a great proprietor now divides his land, into separate farms for the convenience, and advantages of better cultivation, so would various small contiguous proprietors accumulate their small lots of land into one good farm for the same purpose." As to the gloomy forecast of political instability which must result from such a law of succession Ricardo contented himself with observing "I cannot participate with Mr. Malthus in his fears for the duration of a free Government, under such a system."

In the succeeding section, we are back again upon controversial ground—the nature and effect of foreign trade. Nominally Malthus sought to establish that "the second cause favourable to that increase of exchangeable value, which depends upon distribution, is internal and external commerce"; really, he urged "a very different view of the effects of foreign commerce on exchangeable value from Mr. Ricardo." [62]

The issue turned neither upon the mechanism of foreign commerce nor the theory of international trade, as to which the two men were presumably in agreement—explicitly as to the doctrine

[62] "Political Economy," pp. 440, 462.

of territorial division of labor, impliedly as to the law of comparative cost—but upon the more fundamental question as to the effect of foreign commerce, even of domestic trade upon national wealth.[63]

In the "Principles" Ricardo had expounded his doctrine 'On Foreign Trade' from the text "No extension of foreign trade will immediately increase the amount of value in a country, although it will very powerfully contribute to increase the mass of commodities, and therefore the sum of enjoyments." Turning attention thereafter to Adam Smith's curious argument that commerce tends to raise the general rate of profits by attracting capital from "other trades," Ricardo had—before passing to the major purpose of the chapter, exposition of the theory of international value—concluded that foreign, as indeed home trade "has no tendency to raise the profits of stock" unless the commodities imported are of a kind on which the wages of labour are expended—in which case, pursuant to the general principle of profits, wages would fall and profits rise.[64]

Upon the major contention as to the effect of foreign commerce upon profits,Malthus here, as in other instances, placed himself in agreement, although by a different route, with Adam Smith and in opposition to Ricardo. He insisted that trade and commerce increase the value of the wares subject to export demands; that the exporters reap larger profits from such increased value; that profits, as wages and rents, being the sources of national wealth, such larger profits effect "a proportionate increase in the value of the national produce."[65]

The doctrinal opposition was thus clean cut: (1) Both Malthus and Ricardo agreed that foreign commerce and home trade were beneficial to a country. (2) Malthus found the benefit to be the increased value of its products consequent upon additional demand; whereas Ricardo assigned the advantage to the increased supply of desirable commodities and denied the possibility of increased value. (3) Malthus maintained that from this increased value would result increased profits; Ricardo denied any such consequence and insisted that "the rate of profits can never be increased but by a fall in wages, and that there can be no permanent fall of wages but in consequence of a fall of the necessaries on which wages are expended." (4) Malthus believed that in-

[63] *Ibid.*, p. 441.
[64] "Principles" (1819), pp. 135-42. [65] "Political Economy," p. 448.

creased profits meant further accumulation of capital and enlarged production; Ricardo insisted that capital was augmented more certainly and more advantageously by the lessened expenditure of consumers made possible by reduced prices, rather than by larger profits resulting from higher prices. (5) Malthus concluded that commerce was of primary advantage to the capitalist; Ricardo insisted that the consumer was the essential gainer.

The "Notes" presents a vigorous reinforcement of Ricardo's position against Malthus' attacks. In clearness and cogency the critique, in this connection, shows the controversialist at his best.

The starting point was a fair version of Malthus' position:

> "Mr. Malthus appears to think that commerce and the exchange of commodities adds greatly to the value of commodities and enables merchants to add to the amount and value of their profits, and further that is from this source that all the great savings and accumulations are made." [66]

To these contentions Ricardo directed himself: Commerce is of advantage to a country in that its exported wares secure a larger amount of foreign goods than the same effort would have produced at home. But the outcome is to reduce the value of the imported commodities as compared with their cost in the importing country; rather than, by reason of the increased demand, to increase the value at home of the domestic wares given in exchange. Assenting for the moment to Malthus' measure of value, Ricardo challenged, "Will the mass of goods in the country, in consequence of these exchanges, command more labour, or will they exchange for more of any medium of a known value?" Assuredly not; for the reason that the value of the exported ware depends on its cost of production.[67]

Similarly as to profits. The consumer will gain by the lower value of the imported goods; not the manufacturer, by any higher value of those exported goods:

> "Mr. Malthus and I both allow that an advantage is gained by the introduction of cheap or desirable foreign commodities, but I say that the whole of it should belong to the consumer and if at any time the merchant enjoys it, it is at the expense of the consumer and by depriving him of it. With the consumer it must finally rest." [68]

Only for "a short time"—"an inconsiderable interval"—might the condition assumed by Malthus occur:

[66] "Notes," p. 211. [67] "Notes," p. 212. [68] *Ibid.*, p. 223.

> "It is precisely the same as in the case of a manufacturer who discovers an improved machine with which to manufacture his goods. While competition does not fully act upon him, and oblige him to sink the price of his goods to the cost of production, he gets great profits, but finally the advantage of the improvements rests wholly with the consumer." [69]

If it be contended that consumers incline to be extravagant and manufacturers saving, and that unusual profits might be favorable to the accumulation of capital, it still remains true that effects quite as good would have resulted had prices not advanced and the consumer saved from his expenditure and added to his capital.[70]

The concession as to "an inconsiderable interval" is not without significance. There was no such admission in the text of the "Principles," and its appearance in the "Notes" is to be accounted as a controversial amplification. Ricardo would doubtless have maintained here as in so many other places that his concern lay with a long-time tendency and that Malthus had sought to magnify a momentary variation into a sufficient disproof. As a matter of fact even in this "inconsiderable interval" Ricardo insisted that the unusual profits of the manufacturers were at the expense of the consumer and not as Malthus had maintained "valuable savings," which "added to the value of the mass of commodities," and that "no one is the worse for them and therefore that they are clear gains to the country." Such inference overlooked the facts that the consumer paying more for the enhanced commodity must buy less of it or of some other commodity or save a smaller amount. The greater savings of the manufacturer were consequently at the expense of the less savings of the consumer, and even in this inconsiderable interval "nothing whatever will be added to the national capital." If, conceivably, the exported commodity is sold at a higher price in the foreign market but not in the home market, the greater profits of the exporting manufacturer are "profits to the country of which he is an inhabitant, but they are not less obtained at the expense of the consumer, but in this case the consumer is a foreigner." [71]

The residuum of Ricardo's concession would thus be that if, in the "inconsiderable interval" in which commerce yielded excess profits to the exporter, the price of the exported commodity rose

[69] *Ibid.*, p. 224.
[70] *Ibid.*, p. 224.
[71] *Ibid.*, pp. 212-5.

in the foreign but not in the home market, there would result an additional to national income at the expense of the foreign consumer.

Ricardo was no less sensible than Malthus of the advantages resulting from trade and commerce; but he denied that "these benefits would shew themselves in the form of high profits and increased value" and insisted that the gain to both countries "is not [that] they have any increase of value, but with the same amount of value they are both able to consume and enjoy an increased quantity of commodities" or should there be indisposition to purchase an additional quantity "they will have increased means of making savings from their expenditure." [72]

To Malthus' dogmatic statement,

> "And of the two ways in which capital may be accumulated, as stated by Mr. Ricardo in his chapter on Foreign Commerce, namely an increase of revenue from increased profits, or a diminished expenditure, arising from cheap commodities, I believe the latter never has been, nor ever will be, experienced as an effective stimulus to the permanent and continued production of increasing wealth." [73]

Ricardo answered quite as uncompromisingly,[74]

> "I believe, quite the contrary—I believe it is a more powerful stimulus even than that to which Mr. Malthus exclusively refers."
>
> "This saving out of increased gains, which is the means by which all great fortunes are made according to Mr. Malthus, is a saving really effected by diminished expenditure, a source of saving very much undervalued by Mr. Malthus." [75]

and added,

> "I know no other way of saving, but saving from unproductive expenditure to add to productive expenditure."

The major issue was supplemented by a series of minor differences. To Malthus' protest, interjected without much logical connection, that disregard of the state of the circulating medium was more likely to obscure than to clarify economic opinion as to "whether the commodities of a country are so distributed as to give them their proper value" [76]—Ricardo made answer that "It

[72] *Ibid.*, p. 215.
[73] "Political Economy," pp. 459-60.
[74] "Notes," p. 231.
[75] *Ibid.*, p. 213.
[76] "Political Economy," p. 444.

is of no importance in elucidating correct principles in what medium value is estimated, provided only that the medium itself is invariable," and added that Malthus in using money as a measure frequently mistook the variations of money itself for variations in the commodities of which he is speaking. Moreover, an alteration in the relative value of money has no effect upon the relative value of commodities, influencing all "in the same proportion," whereas it is "the alteration in the relative value of commodities, particularly of necessaries, and luxuries, which produce the most important consequences in the view of the Political Economist;" [77] and when Malthus dilated upon the injury which the farmer had suffered from the currency appreciation of 1815-16, Ricardo echoing his familiar argument assigned the farmer's plight to bumper crops rather than to monetary change. Relatively excess production meant falling prices; to the extent that the farmer was subject to fixed money charges as rent—it involved agricultural injury. But for the country at large, there was no detriment; the reduced purchasing power of the farmer was compensated for by the increased command of all other classes. There would be no 'diminished power to employ labour' on the part of the manufacturer, as Malthus feared. If less need be expended on corn, more was available for commodities. Indeed if the price of labour fell with cheaper food, as might be expected, the manufacturer far from being "unable to command the labour of the same number of workmen as before," would be able "to command more." [78]

Here again the alignment is traceable to the opposed class sympathy and the differing economic philosophy of the two men. To Malthus "agricultural distress" was not to be explained away by bumper crops but was assignable to mistaken currency policies. To Ricardo, reverting to the logic of his "Protection to Agriculture," the plight of the farmer was an economic dislocation, assignable to the increased production of corn relative to population and not to monetary contraction—as Cobbett and Western insisted.

If, Malthus voicing the traditional lament of the farmer, placed the responsibility for his losses upon 'dear money' rather than bumper crops — Ricardo, anticipating the rejoinder of non-agricultural classes, minimized the part of monetary change in agricultural distress, as compared with the farmer's own indis-

[77] "Notes," p. 216. [78] *Ibid.*, p. 218.

cretion. Beyond this, Malthus regarded agricultural distress as a national calamity of first magnitude, bringing in direct train an impairment of national wealth—"a permanent check to production." [79] Whereas to Ricardo the discomfort of the farmer was an economic incident speedily correcting itself, and leaving the wealth of the nation unaffected.

Malthus charged Ricardo with regarding it as "quite the same to the labourer" whether money wages rose or the price of necessaries fell; whereas the first, implying "such a distribution of the actual wealth as to give it an increasing value" is "the infallible sign of health and prosperity," and the second, "in many cases" is "the accompaniment of a permanent want of employment, and the most abject poverty, in consequence of retrograde and permanently diminished wealth." [80] "Mr. Malthus mistakes me" was Ricardo's comment. His error lay in supposing that a fall in the price of provisions necessarily resulted from "a glut of corn and commodities" instead of from "a cheaper mode of producing provisions." A glut was an evil, arising always from "a bad selection in the object produced" and generally involving production without profit, and sometimes even loss of capital employed. "Cheapness from facility of production—"which I think is the only legitimate cheapness"—on the other hand, "never fails of being attended with the happiest effects, and is as different from a glut, as light is from darkness." [81]

Malthus met the embarrassing possibility that foreign commerce like improved machinery might effect "a great fall in the price of particular commodities" by urging somewhat lamely from England's experience with cotton exports and tea imports that such a fall was "perfectly compatible" with a "continued and great increase" not only in the exchange value of the whole produce of the country but of that of the particular commodities affected.[82] To which Ricardo rejoined that such results "are compatible, but not essential to each other and in general do not happen at the same time," and that the advantage from, say, a cheap price of corn—in consequence of importation or production—would be great, even though the money value of the mass of commodities would fall—"wages would be high and the condition of the labourer most happy." Having in mind the inadequacy of Malthus' measure the national produce might have much

[79] "Political Economy," p. 417.
[80] *Ibid.*, pp. 455-6.
[81] "Notes," pp. 227-8.
[82] "Political Economy," p. 456.

less power and yet "both wealth and population increase." Wages would rise and profits fall—but even then further savings might be made and wealth augmented. If from £1000 my profits were reduced to £500, I should nevertheless increase my wealth if I saved £100." Ricardo denied that it 'could be proved' 'in any case,' that "under particular circumstances any species of foreign trade tended permanently to diminish the power of the national produce in the command of domestic and foreign labor" and thereby check permanently the progress of wealth and population. Ricardo insisted that he regarded "briskness of trade" and accumulation of capital" as highly as did Malthus and added that "the want of this is in my opinion the only cause of the stagnation which commerce at different times experiences." He agreed too that a good distribution of the produce and "an adaptation of it to the wants and tastes of society" were of the utmost importance in securing them. If these conditions were absent it was not because of increased production but because of "miscalculation" and because producers have not "fulfilled the conditions necessary to ensure that briskness of demand, which could not fail to have followed from a more judicious selection of objects." [83]

To Malthus' charge that in always viewing foreign trade "in the light of means of obtaining *cheaper* commodities" rather than those not capable of production at home,[84] Ricardo was only looking at half of its advantage, "and I am strongly disposed to think, not the larger half"—no answer was, naturally enough, deemed necessary and to Malthus' reiterated conclusion that the beneficial effect of foreign commerce was to augment profits rather than increase commodities, there was meticulous disproof, with an outright complaint as *finis:*

> "Mr. Malthus never states a specific simple case for the purpose of following it in all its hearings, if he did, we could not differ as we appear to do." [85]

VIII.

The last two sections of Malthus' text subjected Ricardo's restraint as a controversialist to severe test. Bare of doctrinal addition, Malthus' rechauffée of familiar charges served as warrant for practical conclusions, as irritating as bizarre. Ricardo's critique correspondingly tapers off into a succession of brusque

[83] "Notes," pp. 228-30.
[84] "Political Economy," p. 461. [85] "Notes," p. 232.

comments, displaying the impatience, sometimes even the asperity of a wearied reviewer.

Malthus' argument was explicit:[1] It is absolutely necessary that a country with great powers of production should possess "a body of unproductive consumers," if the value of its produce is to be maintained and increased. Otherwise, under "a rapid accumulation of capital, or, more properly speaking, a rapid conversion of unproductive into productive labour, the demand, compared with the supply of material products, would prematurely fail, and the motive to further accumulation would be checked," before it was arrested, in the manner maintained by Ricardo, by "the exhaustion of the land." It had been "repeatedly conceded" that the productive classes have the power of consuming all that they produce; but experience proves "that, though there may be the power, there is not the will."

Capitalists and "master producers" do not "consume" in such manner, because "The great object of their lives is to save a fortune, both because it is their duty to make a provision for their families, and because they cannot spend an income with so much comfort to themselves, while they are obliged perhaps to attend a counting house for seven or eight hours a day." The labouring classes are not likely to increase their consumption greatly, owing to the principle of population; if they did, it "must greatly increase the cost of production, it must lower profits, and diminish or destroy the motive to accumulate, before agriculture, manufactures, and commerce have reached any considerable degree or prosperity." As for the landlords, "experience certainly tells us that under the distribution of land which actually takes place in most of the countries in Europe, the demands of the landlords, added to those of the producers" are "insufficient to keep up and increase the value of that which is produced."

The occasion therefore arises of a body of unproductive consumers whose specific use in encouraging wealth is "to maintain such a balance between produce and consumption as to give the greatest exchangeable value to the results of the national industry." To continue "effectual as a stimulus to wealth" and "to prevent it from being prejudicial, as a clog to it," this body of unproductive consumers should vary in different countries, and at different times according to the powers of production. The

[1] "Political Economy," pp. 463-5, 471-7, 489-90.

most favourable result will follow when the proportion between productive and unproductive consumers is "best suited to the natural resources of the soil, and the acquired tastes and habits of the people."

This body of unproductive consumers is constituted of 'the unproductive labourers of Adam Smith'—menial servants, statesmen, soldiers, judges, and lawyers, physicians and surgeons, and clergy—and, subsequently added, "those who live upon the interest of the national debt." The first group is not only necessary to the government, protection, health and instruction of a country, but is needed in consequence of the tendency of the country's capital to become redundant, "to call forth those exertions which are required to give play to its physical resources." Among them, menial servants are the most useful both in meeting the industry of those who would wish to employ them, and of being "least likely to be prejudicial by interfering with the costs of production." It is true that "there could hardly be a taste more prejudicial to the progress of wealth than a strong preference of menial service to material products"; but "the wealth of nations depends upon the proportion of parts, rather than on any positive rules respecting the advantages of productive or unproductive labour, and we may "trust to the inclination of individuals" in this respect.

Some greater difficulty is presented by the remaining classes—those what are supported by taxation and those who live upon the interest of the national debt. They undoubtedly "contribute powerfully to distribution and demand"; they occasion a more favorable distribution of wealth; they ensure that degree of consumption necessary to stimulate production, and taxation itself often operates "to excite the exertions of industry." But on the other hand, to counter-balance these 'unquestionable advantages,' injudicious taxation may stop the increase of wealth in almost any period of its progress and even the most judicious taxation may ultimately "be so heavy as to clog all the channels of foreign and domestic trade, and almost prevent the possibility of accumulation." The practical conclusion reached is that while it would be inexpedient to seek to enhance the national good by added taxation, it is extremely doubtful "whether, in the actual circumstances of the country, with reference to its powers of production, more would not be lost by the want of consumption than gained by the diminution of taxation."

A similar doubt exists as to the effects of the national debt.

Malthus felt "perfectly convinced" that "if a spunge could be applied to it tomorrow"—apart from "the poverty and misery of the public creditors"—the result would be that "the rest of the society, as a nation, instead of being enriched would be impoverished" in consequence of the shrinkage in demand and consumption. If the possibility suggested by Ricardo that in such event the landlords and capitalists having their tax burdens lightened would save more and lend their increased incomes—"the evil would be aggravated tenfold." Venturing upon forecast, Malthus entertained "very little doubt" that in five years from the date of such an event, the product of the nation would have declined both in quantity and value, even though "its property would be more secure." Eventually there would be recovery. But the country would pass through a period "probably of considerable duration" of net disadvantage, and it might fairly be doubted whether the ultimate outcome would be net gain. Backing away here again from the full consequence of his logic, Malthus insisted that he was far "from being insensible to the evils of a great national debt." Even though "its past effects had been favourable to wealth, "it might be desirable slowly to diminish the debt, and to discourage the growth of it in the future": "security with moderate wealth is a wiser choice, and better calculated for peace and happiness than insecurity with greater wealth."

Passing finally to the 'application of some of the preceding principles to the distresses of the labouring classes since 1815'—Malthus insisted that the plight of the wage earner was due to deficient demand for capital and not to deficient capital itself.[2] There had been "a great diminution of the whole amount of consumption and demand," and this rather than the causes emphasized by the Ricardians—the cultivation of poor land, restrictions upon commerce and excessive taxation—was responsible for "our present distresses." It was because of "the diminished demand for commodities compared with their supply since the war" that 'peace was connected with distress' and because of circumstances akin to the likelihood that "very many persons have taken the opportunity of saving a part of their returned property tax," that those states—England and America—which had "suffered the most by the war have suffered the least by the peace." In face of this lessened demand, consequent upon "the transition from war to peace" and in its nature invoking an

[2] "Political Economy," pp. 495-7, 499-501.

absolute excess of capital and not disproportionate allocation, it was "a vain and fruitless opposition to that first, greatest, and most universal of all its principles, the principle of supply and demand, to recommend saving and the conversion of more revenue into capital." What the country needed was "an increase in the exchangeable value of the whole produce estimated in bullion"—to be attained by "increased and steady profits," from out of which savings could thereafter be made. If instead of this, it were sought to augment the country's capital by diminished expenditure—"all general principles concur in shewing that we must of necessity be aggravating instead of alleviating our distresses." [3]

Ricardo had written to Malthus upon the completion of the "Notes":

> "The part of your book to which I most object is the last. I can see no soundness in the reasons you give for the usefulness of demand in the fact of unproductive consumers." [4]

This was the keynote of Ricardo's rejoinder: "I cannot express in language so strong as I feel it my astonishment at the various propositions advanced in this section." [5] A body of unproductive consumers are just as necessary and as useful to future production as a fire in the manufacturer's warehouse; and their consumption gives value to the national industry as "an earthquake which overthrows my house and buries my property." The argument "in favor of taxation" was quite consistent with the opinion of the advantages resulting from unproductive consumption: "Mr. Malthus is a most powerful ally of the Chancellor of the Exchequer"—the last words considerately altered from "Mr. Vansttart." As to the disastrous effects of an extinguishment of the national debt—"I should think Mr. Malthus must be the only man in England who would expect such effects from such a course." [6]

Where Malthus' argument seemed to depend upon an obvious fallacy or lead to a clear contradiction, as in the relation of taxation to saving, there was summary indictment,

> "If Mr. Malthus' reasoning be correct it forms an irresistible argument against the removal of the tax. Can any conclusion be more at variance with the premises?" [7]

[3] "Political Economy," p. 505.
[4] "Letters to Malthus," p. 178.
[5] "Notes," p. 234.
[6] *Ibid.*, p. 239.
[7] *Ibid.*, p. 243.

—and in a doubtful interpretation of Ricardo's text—outright impatience:

> "Here again Mr. Malthus has mistaken me and I refer to his own account of my opinions in Page 326 to shew that this is not my doctrine, but the one which he supposes me without any just ground to hold." [8]

> "Mr. Malthus never appears to remember that to save is to spend, as surely, as what he exclusively calls spending." [9]

If these final "notes" show a degree of warmth foreign to Ricardo's usual manner as a controversialist, it was because in the sections which evoked them, Malthus seemed to Ricardo to have passed from thinker to advocate, and as such, not merely to reflect a general sympathy with his environment, but to champion the particular interest of a class and to subscribe to the whole stock of its outcries.

Posterity is likely to concur in the judgment of Ricardo's advisers as to the unwisdom of publishing the "Notes" at the time it was written, at least in the form of an appendix to the "Principles" as the author had contemplated, this quite apart from Ricardo's own characteristic depreciation of arrangement and expression. The "Principles" carried its own difficult message, and a long controversial annex must have served not only to add to the burden of the sorely-tried reader but in a measure to divert attention from essentials to minutiæ.

To the close student of the Ricardian economics, the "Notes" will however be welcomed a century later as filling gaps and as clearing doubts in the doctrinal differences of its chief figures. No radical change will be effected in our estimate of the achievements of either Ricardo or Malthus. As to Malthus, the commentary will serve to lessen the neglect which the "Political Economy" has suffered from the eminence of the "Essay." As to Ricardo, definitive evidence will be supplied of the mental tenacity, the logical precision, the philosophical breadth of the profoundest thinker in our science.

Coming at a time when, in curious recurrence, limping scholarship has sought to cover its defect, in scurrilous suggestion as to Ricardo's intellectual honesty, such an accession will prove, it is hoped, as opportune as helpful to the historian of thought.

JACOB H. HOLLANDER.

[8] *Ibid.*, pp. 244-5.
[9] *Ibid.*, p. 245.

PRINCIPLES
OF
POLITICAL ECONOMY

CONSIDERED
WITH A VIEW TO THEIR PRACTICAL
APPLICATION

* * *

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. . .

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. . .

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Notes on

Mr. Malthus work "Principles

of Political Economy, considered

with a view to their practical

application"

By

David Ricardo

[RICARDO'S "NOTES ON MALTHUS"]

[page] 6. "Each party being possessed of a theory which etc. etc. . . . observable."

Malthus has, in the previous pages, given a short resumé of the history of economic theory; has pointed to the existence of considerable differences of opinion among authorities, and has indicated that his book appears at an inopportune time, since these differences of opinion have not been resolved, nor have the lessons of the preceding quarter century "marked by a train of events of a most extraordinary kind" been properly assimilated. The main cause of error and of division of opinion among exponents of political economy he finds in "a precipitate attempt to simplify and generalize." This leads to undue stressing of one factor where many are at work; the bullion controversy is cited as "a signal instance of this kind of error."

Mr. Malthus must here allude to the dispute whether the alteration in the relative value of bullion, and paper, was owing to a rise of bullion or to a fall of paper.

The settling of this dispute was of no importance to the real question for which ever party was right, it did not alter the fact, nor vary the degree of the depreciation. It was rather a dispute about the causes of the depreciation, and could not be settled satisfactorily, because there was no standard to which reference could be made to ascertain whether gold had risen or paper had fallen in value.

[page] 8. "Adam Smith has stated etc. . . . production."

Malthus goes on to ascribe to the desire for simplification and generalisation "a still greater disinclination to allow of modifications, limitations and exceptions to any rule or proposition." He cites as appropriate illustrations the views of Adam Smith "that every frugal man is a public benefactor, and that the increase of wealth depends upon the balance of produce above consumption,"[1] giving a general assent but arguing that "it is quite obvious that they are not true to an indefinite extent."

[1] "Wealth of Nations," bk. ii, ch. iii; bk. iv, ch. iii.

Mr. Malthus says these propositions are true to a great extent, but it is quite obvious he adds that they are not true to an indefinite extent. But why? because the principle of saving pushed to excess would destroy the motive of production.

But the argument is not about the motive to production, in that everybody is agreed—the accumulation of capital may go on so much faster, than labourers can be increased, that productions must cease increasing in the same proportion as capital, from want of hands; and when they do increase, the labourers by their comparative scarcity to capital, can command so large a portion of the produce as to afford no adequate motive to the capitalist to continue to save.

All men will allow then that savings may be so rapid and profits so low in consequence as to diminish the motive for accumulation, and finally to destroy it altogether. But the question yet remains, Does not the increase of wealth depend upon the balance of produce above consumption? Can this question be answered otherwise than in the affirmative?

It is true, says Mr. Malthus, but of this increased produce the capitalist will get so small a proportion, that he will have no motive to assist in increasing the quantity of produce. I agree with Mr. Malthus; in the distribution of the altered produce the capitalist may get so little for profit, and the labourer so much for wages, that no motive may exist for the capitalist continuing to be parsimonious. Now a dispute about [the effects of parsimony] [2] is one thing, and about the motives for [being parsimonious][3] another.

I should not have noticed this passage here if I did not know that it forms the most important subject for discussion in Mr. Malthus' work, and is frequently brought forward under different points of view. Mr. Malthus will be found to maintain not only the opinion, which is just, that the profits

[2] Replaces "increased production of savings."
[3] Replaces "increasing them."

of the capitalist will be diminished by an increase of productions under the circumstances supposed; but also [the opinion which is wholly inconsistent with it that][4] the wages of the labourers [will be likewise reduced].[4] Productions altogether are increased, a selection may be freely made what those productions shall be, and yet neither the capitalist not the labourer shall be benefited by them, altho they [must][5] be awarded to one or other of them [in certain proportions to be agreed upon].[6]

[page] 28. "The line . . . man"

Malthus is defining the term "wealth." The natural line of division between wealth and not-wealth "is that which separates material from immaterial objects, or those which are capable of accumulation and definite valuation from those which rarely admit of these processes." He goes on to add that the implication of Adam Smith's use of the term is that it "is confined to material objects," adding that Smith's phrase "the annual produce of land and labour" includes useless as well as useful products.

Mr. Say objects to this division, but I think there is real use in [dividing][7] our enquiries [about][8] those material objects which are capable of accumulation and definite valuation, from those which rarely admit of such processes. Mr. Malthus' definition of wealth has in it nothing objectionable; he states it to be those material objects, which are necessary, useful, or agreeable to mankind.

[page] 31. "Secondly it is stated by A. Smith etc. etc."

In support of the distinction between productive and unproductive labour based on whether or not material objects are produced, Malthus cites with approval Adam Smith's dictum that the annual amount saved is "as regularly consumed as that which is annually spent, but that it is consumed by a different set of people." If this is so, comments Malthus, why make a distinction between two classes

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[4] Inserted.
[5] Replaces "are to."
[6] Deleted.
[7] Replaces "confining."
[8] Replaces "to."

of labourers, both of whom consume, unless there is a difference "in reference to national wealth . . . which must arise from a different application of what is saved, founded upon a real distinction between the different kinds of labour which may be maintained by it."

This is an important admission from Mr. Malthus, and will be found to be at variance with some of the doctrines which he afterwards maintains.

[page] 34. "If in given periods etc. etc."

Malthus refers approvingly to Adam Smith's conception of a balance between annual production and consumption. An increase in population and well-being depends on an excess of production over consumption; an excess of consumption over production leads to a loss of well-being and decline of population. Equality of production and consumption means a stationary society.

This also is most true and very important to be remembered.

[page] 38. "Upon this principle the labours of agriculture etc."

Malthus argues that "if we do not confine wealth to tangible and material objects, we might call all labour productive, but productive in different degrees," the degree of productiveness to be measured by the excess of the exchange value of the output over the (competitive) wage paid. "Upon this principle" refers to this assumed standard of measurement of productivity. Agricultural labourers would be the most productive, for the produce of land pays not only the wages of the labourers "but the profits of the stock advanced by the farmers, and the rents of the land let by the proprietors."

It is not true of any [disposeable labour] [9] that it would be most productive of value in agriculture; because it would be employed on land for which no rent would be paid; and consequently it would only return a value equal to the value of the labour employed, and of the profits of the capital [engaged; and this is what any other capital however employed would do].[10]

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[9] Replaces "labour disposeable."
[10] Replaces "employed."

It [11] is not true that these labourers would [produce most of value whose operations] [12] were most assisted by capital, or the results of previous labour; because if I employ 100 men and £1,000 capital I must have returned to me all that the 100 men destroy, and the profits on the £10,000 capital in the value of the commodities produced. If I employ 2,000 men [and £10,000 capital] [13] I must have what the 2,000 men consume and the profits on £10,000 capital. Mr. Malthus appears to think that the value of the return will be in proportion to the capital employed [they must in such case] [14] return a commodity not only of the value of the (*sic*)

The produce before obtained from the land might be of greater value in consequence of any new difficulty in the production of corn, and the consequence of this use of value would be different distribution of the produce, a larger portion going to rent, a smaller portion going to profit. But this value would not add to the greatness or power of the country —for the country would have been richer and greater if the new difficulty in producing corn had not occurred, and consequently if the price had not risen.

It is not true that those labourers would produce most value "whose operations were most assisted by capital or the results of previous labours." I agree with Mr. Malthus that they must [in such case] [15] return a commodity not only of the value of the capital, with its profits, that employs them, but of the value also of the profits of the fixed capital by which their labour has been assisted. But I do not see why this circumstance should "tend most to the accumulation of capital."

Capital is saved from profits. Now whether a man has £10,000 in machinery, and employs only £1,000 in supporting

[11] Paragraph deleted and replaced by remainder of "note."
[12] Replaces "be most productive the operations of whom."
[13] Inserted.
[14] Replaces "the labourers must."
[15] Deleted.

labour; or whether he has £11,000 which he employs all [16] in the support of labour, his profits will be the same; for with equal capitals equal profits will be made, and I can not comprehend why the income on one should be more easily accumulated as Capital, than the income of the other.

[page] 39. "This mode of etc."

Malthus asserts that this proposed standard for measuring productiveness of labour would in certain cases possess advantages over the Smithian standard; particularly as determining "in the very definition, the natural pre-eminence of agriculture," and also indicating "the numerous cases" where non-agricultural labour would be more productive than agricultural, whenever, i. e., "from a greater demand for manufactured and mercantile products," the sum of their profits would exceed the sum of rents and profits yielded by "labour employed upon new and less fertile land."

The premises being unfounded, with regard to agriculture, so in the conclusion neither Mr. Malthus, nor Adam Smith, have yet shown "the natural pre-eminence of Agriculture," "in the scale of productiveness."

[page] 40. "Agricultural labour would stand in the first rank etc."

Malthus asserts that Smith's "unproductive labourers" could be included in the ranks of productive workers under the proposed definition, but agricultural labour would stand first "for this simple reason, that its gross produce is sufficient to maintain a portion of all the three great classes of society; those who live upon rent, those who live upon profits, and those who live upon wages."

I shall have other opportunities of [17] examining the soundness of this classification. At present, I shall only say that men are happy in proportion as they have an abundance of the commodities they want. If it were the abundance of corn, and the facility with which it was obtained, which gave it the

[16] Replaces "directly." [17] Replaces "to."

pre-eminence contended for, I should agree to Mr. M.'s conclusion, but the contrary is the fact. Why does the value of corn afford a rent and why does that rent rise from time to time? because corn rises as [18] it becomes more difficult to produce it. Increase the difficulty, and the value of corn, as well as rent, rise still higher. Now unless this peculiar difficulty of obtaining, in the required abundance, a commodity we want, be an advantage, I can see no just reason for the classification adopted. If our supply of coal to accommodate an increasing demand were obtained with more and more labour, coal would rise in value, and many mines would afford a great increase of rent, as well as the usual profits of stock. Would this entitle coal, and the employments connected with [19] it, to any particular pre-eminence? Coals would have a greater value, but it would be from scarcity;—would it not be better to have coals of less value, and in greater plenty? I ask then whether it would not also be very desirable to have corn of less value, and in greater abundance? If Mr. Malthus answers, yes, rent is gone, and the pre-eminence he contends for is gone. If he answer, no, I [should like to have some better proofs of the pre-eminence he contends for].[20]

[page] 54. "Each commodity etc."

Malthus is here dealing with the measurement of "exchangeable value." Exchange arises when individuals have "the will and power to exchange one commodity for another," and when there is a "reciprocal demand." The rate at which exchanges are made will depend on "relative estimation," i. e., need "and the difficulty or facility of procuring possession." Though rates of exchange would vary widely with different individuals, in time "an average would be formed," and current scales of exchange rates be established. "Each commodity would in this way measure the exchangeable value

[18] Replaces "and."
[19] Replaces "to."
[20] Replaces "trust he will find few to agree with him."

of all others, and would, in its turn, be measured by any one of them." Each commodity would in fact be "a representative and measure of value."

In all that Mr. M has yet said about exchangeable value, it appears to depend a great deal on the wants of mankind, and the relative estimation in which they hold commodities. This would be true if men from various countries were to meet in a fair, with a variety of productions, and each with a separate commodity, undisturbed by the competition of any other [seller].[21] Commodities, under such circumstances, would be bought and sold according to the relative wants of those attending the fair—but when the wants of society are well known, when there are hundreds of competitors who are willing to satisfy those wants, on the condition only that they shall have the known and usual profits, there can be no such rule for regulating the value of commodities.

In such a fair as I have supposed, a man might be willing to give [to a][22] a pound of gold, for a pound of iron, knowing the uses of the latter metal; but when competition freely operated, he could not give that value for iron, and why? because iron would infallibly sink to its cost of production—cost of production being the pivot about which all market price moves.

[page] 58. "It is very justly observed etc."

Malthus develops the idea that money arose from selecting one among the goods currently exchanged, and points to the obvious advantages possessed by the precious metals. These "might properly, therefore, be called the nominal value of the commodities to the measure of which they were applied," or their price. He agrees with Adam Smith that a merchant only considers the nominal value of the goods which he buys, not their general command of the necessaries or conveniences of life. "What he wants is an instrument by which he can obtain the commodities in which he deals and estimate the relative values of his sales and purchases."

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[21] Inserted.
[22] Deleted.

I cannot agree with Adam Smith, or with Mr. Malthus, that it is the nominal value of goods, or their prices only, which enter into the consideration of the merchants. He has clearly nothing to do with the value of the necessaries and conveniences of life in Bengal, when he purchases muslin there, with a view to sell them in England; but as he must pay for his goods, either in money, or [in][23] goods, and expects to sell them with a profit in money, or [in] [23] goods, he can not be indifferent to the real value of the medium in which his profits, as [well as] [23] the value of the goods, are to be realized.

[page] 60. "It is quite obvious etc. etc."[24]

Though the precious metals can serve as a standard of value at a given moment, yet they "fail as a measure of the exchangeable value of objects in different countries, or at different periods in the same country." To say that "the revenue of a particular sovereign, 700 or 800 years ago, was 400,000 *l.* a year conveys" no sort of information "as to the real resources of the sovereign in question. What is wanted in such a case "is some estimate of a kind which may be denominated real value in exchange, implying the quantity of the necessaries and conveniences of life" which a given possession of "wages, incomes or commodities" will command. In contradistinction to nominal wealth, "real value in exchange" implies "an increase or decrease in the power of commanding real wealth, or the most substantial goods of life."

It is undoubtedly true that by hearing simply that a king possessed at some former time £400,000 a year, we should be quite at a loss to know whether the labourers in the industry were starving or living in great plenty. It might be very proper [in order][25] to ascertain the real power of this monarch, to inquire what the price of corn and labour was in [such][26] the country at such time. But having done this, it would be quite wrong to say we had found out what the real value of that king's revenue was. We are told by Humbold, and the fact is a good deal insisted on by Mr. Malthus,

[23] Inserted.
[24] "X" in pencil, in margin.
[25] Inserted.
[26] Deleted.

that in South America, on a given portion of land with a [given] [27] quantity of labour [ ] [28] times the quantity of human sustenance can be obtained than from the same quantity of land, [and with the same quantity of labour] [29] in Europe.

A king then in that country might probably with the labour of one thousand men, employed in agriculture, support an army there 10 [times][30] greater than would be supported by [a king here having] [30] the same number of men [at his disposal to provide necessaries].[31] Would he therefore be said to have a revenue of [10 times the] [32] value? Mr. Malthus would answer, yes; because he estimates [the] [30] real value [of a revenue] [30] by the number of men's labour you are enabled to command [with it].[30]

In money value their revenues might be nearly equal,—they might be nearly equal if estimated in iron, cloth, tea, sugar and any other commodity, but in the power of commanding labour the American Monarch might have a very decided superiority. Now to what would this be owing? to the very low value of labour in America—the revenue of the two kings would in my opinion be nearly equal, but in the expenditure of these equal revenues, a great deal of labour, which was cheap, would be obtained [by] [33] one, a small quantity of labour, which was dear, would be got [by] [33] the other.

Mr. Malthus justly complains of gold and silver as being variable commodities, and therefore not fit for a measure of real value, for times distant from each other. What we want is a standard measure of value which [shall] [34] be itself invariable, and therefore shall accurately measure the variations of other things. And on what does Mr. Malthus

[27] Replaces "very small."
[28] *Sic.*
[29] Inserted.
[30] Inserted.
[31] Replaces "in England."
[32] Replaces "equal."
[33] Replaces "for."
[34] Replaces "will."

fix as an approximation to this standard? The value of labour. A commodity shall be said to [rise or fall accordingly as it can][35] command more or less labour. Mr. Malthus then claims for his [standard] [36] measure invariability! No such thing; he acknowledges that it is subject to the same contingencies and variations as all other things. Why then fix on it? It may be very useful to ascertain from time to time the power of any given revenue to command labour, but why select a commodity that is confessedly variable for a standard measure of value? I can see no reason given but [this][36] because "it has been already adopted as the most usual and the most useful." If this be true we have still a right to reject it if it answer not the end for which it [was][37] proposed.

Whatever commodity any man selects as a measure of real value, has no other title for adoption, but its being a less variable commodity than any other, and therefore if after a time another commodity possessing this quality in a superior degree be discovered, that ought to be the standard adopted.

Whoever then proposes a measure of real value is bound to show that the commodity he selects is the least variable of any known. Does Mr. Malthus comply with this condition? In no respect whatever. He does not even acknowledge that invariability is the essential quality of a measure of real value, for he says a measure of real value implies [a certain][38] quantity of the necessaries and conveniences of life, acknowledging that these necessaries and conveniences of life are as variable as any of the commodities whose value they are selected to measure. A piece of silk is worth a quarter of corn, and it becomes worth two quarters of corn—it has doubled in real value says Mr. Malthus but may not corn have fallen to half its former value, or is it invariable? [39] It is not invariable answers Mr. Malthus, and may have fallen

[35] Replaces "vary if it can."
[36] Inserted.
[37] Replaces "is."
[38] Replaces "the."
[39] "X" in pencil, in margin.

to half its former value. But if that has been the case in the instance mentioned silk has not risen in value [why then should you say it has?] [40]; the two opinions are not consistent. You must claim invariability for your standard, or abandon it as a measure of real value.

Two commodities are exchangeable for each other—one commands in the market a certain quantity of the other. All at once they both vary in value as compared with all other things, and with each other. With one I can obtain a less quantity than before of iron, tea, sugar, with the other I [can][40] obtain a greater quantity of these commodities. Estimated in one of these commodities therefore all other things will appear to have fallen, estimated in the other they will appear to have risen. If we were sure that nothing had varied except the two commodities, if we knew that precisely the same quantity of labour was required for their production either of the commodities I have mentioned, tea, sugar, iron, cloth, would be an accurate measure of the variations of the other two. I do not think that Mr. Malthus would deny this. Suppose one exchanged for 20 pct. more cloth than before I should be nearly certain that it would also exchange for 20 pct. more of iron, or of tea, and if labour had not varied, for 20 pct. more of labour also, and I should be justified in saying that it had risen 20 pct. in real value. Suppose the other, on the contrary, would purchase 20 pct. less of each of these commodities than before. I should be equally justified in saying that it had fallen 20 pct. in real value. Estimated in each other, one [would] [41] appear to have risen 40 pct. and the other to have fallen in a proportionate degree. Now this is the arbitrary definition which I am accused of making—I endeavor to measure the variations in the real value of commodities by comparing their value at different times with another commodity which I have every reason to believe has not varied, and Mr. Malthus does not object to

[40] Inserted. [41] Replaces "will."

it while I confine it to a large class of commodities. If gold varied compared with all other things, by exchanging for a greater quantity of them, he would call it a rise in the value of gold. If iron, sugar, lead, etc., etc., did the same he would still use the same language, but if corn rose, or labour rose, compared with all other commodities, he would say it is not corn or labour which have risen—they are my standard—you must say that corn and labour have remained stationary and all other commodities have fallen. It would be in vain to urge that new difficulties had occurred in the production of corn—that it was brought from a greater distance, or from employing poorer land more labour was bestowed in order to procure a given quantity, he would acknowledge the fact—he would acknowledge this would be a just cause for saying that any other commodity similarly circumstanced had risen in value, but it would not be allowed for corn, because he had notwithstanding its acknowledged variability chosen that for his standard.—[and yet he answers me] [42]—We may well apply to him his own observation "We have the power indeed [arbitrarily][43] to call corn a measure of real value, but in doing so we use words in a different sense from that in which they are customarily used." "The right of making definitions must evidently be limited by their propriety, and their use in the science to which they are applied."

Length can only be measured by length, capacity by capacity, and value by value. Mr. Malthus thinks that "the term real value in exchange seems to be just and appropriate as implying an increase or decrease in the power of commanding real wealth, or the most substantial goods of life." He does not say the power of commanding real value, but real wealth, he measures value by its power of commanding wealth. But perhaps Mr. Malthus considers wealth as synonymous with value! no, he does no such thing he sees a mani-

[42] Deleted. [43] Inserted.

fest distinction between them. See page 339 where he says "Wealth, however, it will be allowed, does not always increase in proportion to the increase of value; because an increase of value may sometimes take place under an actual diminution of [the][44] necessaries, conveniences and luxuries of life." A given quantity of wealth cannot be a measure of real value unless it have itself always the same value. There is no wealth which may not vary in value. Machinery may make 2 pairs of stockings of the value of one. Improvements in agriculture may make 2 quarters of corn of the value of one, yet a quarter of corn and a pair of stockings will always constitute the same portion of wealth. Wealth is estimated by its utility to afford enjoyment to man; value is determined by facility or difficulty of production. The distinction is marked, and the greatest confusion arises from speaking of them as the same.[45]

Mr. Malthus accuses me of confounding the very important distinction between cost and value. If by cost, Mr. Malthus means the wages paid for labour, I do not confound cost and value, because I do not say that a commodity the labour on which cost a £1,000, will therefore sell for £1,000; it may sell for £1,100, £1,200, or £1,500,—but I say it will sell for the same as another commodity, the labour on which also cost £1,000; that is to say, that commodities will be valuable in proportion to the quantity of labour expended on them; [and the quantity will be represented by the cost of it, at the same time and place].[46] If by cost Mr. Malthus means cost of production, he must include profits, as well as labour; [he must mean][47] what Adam Smith calls [its][48] natural price, which is synonymous with [its][48] value.

[44] Inserted.

[45] Ricardo's "note" originally terminated here. In subsequent revision the succeeding paragraphs were added. In the MS., the original terminus is marked by a pencilled "X" in the margin, and so much of the text is deleted and recopied as is necessary to permit the insertion of the added paragraphs, ahead of the next "note."

[46] Deleted.

[47] Replaces "or."

[48] Deleted in pencil.

A commodity is at its [just][49] value, when it repays by its price, [at the usual rate][48] all the expenses that have been bestowed [upon it],[48] from first to last to [produce it and] [50] bring it to market. If then my impression conveys the same meaning as cost of production, it is nearly what I wish it to do.

The [real][51] value of a commodity I think means the same thing as its cost of production, and the [relative][51] cost of production of two commodities is nearly in proportion to the quantity of labour from first to last [respectively][52] bestowed upon them. There is nothing arbitrary in this language; I may be wrong in seeing a connection where there is none, and that is a good argument against the adoption of my measure of value, but then the objection rests on an error in principle, and not [on] [51] an error in nomenclature.

[page] 61. "There can be no question etc., etc."

"There can be no question of the propriety and usefulness of a distinction between the power of a commodity in commanding the precious metals, and its power of commanding the necessaries and conveniences of life, including labour. It is a distinction absolutely called for, whenever we are comparing the wealth of two nations together, or whenever we are estimating the value of the precious metals in different states and at different periods of time."

I agree with Mr. Malthus, but we have the power to do this by ascertaining the value of money, in the command of labour, for any time that we may wish to make the comparison.

It is not necessary for this purpose to constitute necessaries, conveniences or labour the measure of real value.

[page] 64. "Demand may be defined to be the will combined with the power to purchase."

Demand and Supply are familiar terms, but "these terms, however, though in constant use, are by no means applied with pre-

[48] Deleted in pencil.
[49] Alternately, in pencil, "natural."
[50] Inserted in pencil.
[51] Inserted.
[52] In pencil, replacing "each of."

cision." After the introduction "of a general measure of value and medium of exchange" society divides into buyers and sellers; "demand may be defined," etc. (as above), whilst "supply" will be "the production of commodities combined with the intention to sell them."

This definition of demand must be remembered, because in the subsequent part of his work Mr. M. appears to forget it. In the last chapter, where he speaks of the pernicious consequences arising from a want of demand, he appears to me to forget that the power as well as the will to purchase is required. He says, that men will not demand because they prefer indolence to work; but they cannot produce if they will not work; and if they do not produce they may have the will, but they want the other essential quality of demand; they want the power.

[page] 66. "The greater is the degree etc."

After arguing that prices are determined by the relations of demand and supply to one another, and that this cannot mean that the *extent* (sic) of demand and supply are the same, for that is merely saying that the quantity bought equals the quantity sold, Malthus finds the key in developing his definition of demand: the greater the will and power to demand, "the greater or the more intense may be fairly said to be the demand. . . ." But since people will not give a high price for an article if they can obtain it at a lower one, this real intensity will not manifest itself "so long as the abilities and competition of the sellers induce them to bring the quality wanted to market at a low price."

I agree with Mr. Malthus; however great the demand for a commodity may be, its price will be finally regulated by the competition of the sellers,—it [will][53] settle at or about its natural price; that price, which, as Adam Smith observes, is necessary to give the current rate of wages to the workmen, and the current rate of profits to the capitalist. On a comparison of the uses of iron, and gold, demanders might be both able and willing to give more for iron, than for gold;

[53] Replaces "would."

but they cannot; the competition of the sellers [prevents it and][54] sinks the value of both metals to their cost of production, to their natural price.—The market price of a commodity may from an unusual demand, or from a deficiency of supply, rise above its natural price, but this does not overturn the doctrine that the great regulator of price is cost of production.

[page] 69. "If instead etc."—

In the previous paragraph Malthus argued that a temporary increase in supply would, owing to competition among producers, force down prices; in spite of the intensity of demand remaining the same, this intensity "would of course not then show itself." Now if there is a permanent reduction in cost of production, increased supply would similarly lead to a fall of price. Such increased supply would tend to be permanent, because it is seldom that a fall of price does not stimulate consumption.[55] In "the very rare case" in which this is not so, and only a definite quantity is demanded, competition among producers would still increase output: "a greater quantity would be brought to market than could be consumed, till the price was reduced in proportion to the increased facility of production. . . ." But though, in such a case, the extent of supply and demand might remain the same "yet it cannot be said that the demand is the same," for "competition . . . renders the same intensity of demand no longer necessary to effect the supply required. . . ."

Mr. Malthus here substantially admits, that it is not the relation of demand to supply, which finally and permanently regulates the price of commodities, but the cost of their production. On the other hand I do not deny, that in the progress of the rise or fall [of commodities,][56] there may be, what is usually termed, an increased demand or an increased supply.

[page] 72. "This is true if we include all the component parts of price stated by Adam Smith, though not if we consider only those stated by Mr. Ricardo."

[54] Inserted.
[55] Already (p. 65) treated by Malthus as synonymous with extent of demand.
[56] Inserted.

The context from which the above is taken runs: "It may be said, perhaps, that even according to the view given of demand and supply in the preceding section, the permanent prices of a great mass of commodities will be determined by the cost of their production. This is true, etc." Malthus adds that the two theories, that cost of production determines price and that the relations of demand and supply determine price, "though they touch each other necessarily at a greater number of points, have an essentially different origin, and require, therefore, to be very carefully distinguished."

By cost of production I invariably mean wages and profits, Adam Smith includes rent. I may have two loaves on my table one obtained from very fertile land, the other from the very worst in cultivation; in the latter there will not be any rent, the whole of its value will be only sufficient to pay wages and profit. It is this loaf which will regulate the value of all loaves, and although it will be true that the rent which the other loaf will afford will be equal to all the difference in the expense of growing the corn of which it is made [and the corn of which the standard loaf is made,][57] yet it is [only] [57] in consequence of this difference [in the fertility of the land on which this corn is grown and the fertility of that on which the corn is grown from which the other loaf is made which regulates the value of all corn][57] that rent is paid. Twenty different loaves [may][58] all selling for the same price may yield different portions of rent, but it is one only, that which yields no rent, which regulates the value of the rest, and which must be considered as the standard. In truth then in the cost of production of all agricultural produce there is no rent, for the value of that produced from the capital last employed yields a compensation for wages, and a compensation for profits of capital, but no [compensation for][59] rent. In this sense only do I differ from Adam Smith.

[page] 74. "With regard etc."

It is universally agreed that the price of monopolized articles is

[57] Inserted. [58] Deleted. [59] Inserted.

determined, not by cost of production, but by the relations of demand and supply. Similarly "daily and uniform experience" shows that the price of "raw products, particularly of those which are most affected by the seasons" are determined by market conditions, and vary widely from time to time, though costs remain the same. With regard to this class of commodities, therefore argues Malthus, "it is acknowledged that the existing market prices are, at the moment they are fixed, determined upon a principle quite distinct from the cost of production. . . ."

It is admitted by everybody that demand and supply govern market price, but what is it determines supply at a particular price? cost of production. Why is corn almost invariably higher here than in France? not on account of the greater demand for it, but on [account of][60] its superior cost of production in this country.

[page] 75. "But if this be true."

In the case of manufactured articles "existing market prices much more frequently coincide with the cost of production, and may appear, therefore, to be exclusively determined by it." But even here movements in market price may be independent of changes in cost, and closer inspection shows that cost "only influences the prices of these commodities" insofar as the payment for it is "the necessary condition of their continued supply." But if this be true, then "the great principle of demand and supply is called into action to determine what Adam Smith calls natural prices as well as market prices."

The author forgets Adam Smith's definition of natural price or he would not say that demand and supply could determine [its][61] natural price. Natural price is only another name for cost of production. When any commodity [sells for][62] that price which will repay the wages for [labour][63] expended on it, will also afford rent, and profit at their then current rate, Adam Smith would say that commodity was at its natural price. Now these charges [for][61] would remain the same, whether commodities were much or

[60] Inserted.
[61] Deleted.
[62] Replaces "obtains."
[63] Inserted.

little demanded, whether they sold at a high or low market price. A hatter can produce 10,000 hats at the same rate of charge that he can produce 1,000,—their natural price [whether he produces the one quantity or the other][63] is therefore the same, but their market price will depend on supply and demand—the supply will be finally determined by the natural price—that is to say by the cost of production.

[page] 76. "If, for instance."

An alteration in cost of production unaccompanied by an actual or contingent falling off of quantity supplied, will not alter prices. Thus, if the total of all commodities could be produced for "the next ten years without labor" and yet only be "supplied exactly in the same quantities as they would be in the natural state of things," all prices would remain the same, the nature of demand being given. It follows that it is the relation of demand and supply which "is the dominant principle in the determination of prices whether market or natural."

These positions, [those which have preceded them and those which follow][64] are not that I know of disputed by anybody.

[page] 77. "But the most striking."

The passage continues ". . . instance which can well be conceived to shew that the cost of production only influences the prices of commodities as it regulates their supply, is continually before our eyes, in the artificial value which is given to Bank notes, by limiting their amount. . . . But, if an article which costs comparatively nothing in making . . . can be kept to the value of gold by being supplied in the same quantity, it is the clearest of all possible proofs that the value of gold itself no further depends upon the cost of its production than as this cost influences its supply, and that if the cost were to cease, provided the supply were not increased, the value of gold in this country would still remain the same."

I quite agree with Mr. Malthus observations in this paragraph, [but they are not applicable to any other commodity but paper money. Money is not consumed].[65] But he forgets

[63] Inserted.
[64] Inserted.
[65] Deleted.

that the issuers of paper money which has no value [are in possession of][66] a peculiar privilege. If every man might issue paper money in [what] [66] quantities he pleased [and which he was under no obligation to redeem][66] how long would it have any value above its cost of production.

Mr. Malthus mistakes the question—I do not say that the value of a commodity will always conform to its natural price without an additional supply, but I say that the cost of production regulates the supply, and therefore regulates the price. And let me further observe that I say this is true only in cases where there is no monopoly, and every one is free to supply the commodities in such quantity as he chuses. All the instances brought forward by Mr. Malthus are either cases of close monopoly or cases where a part of the natural price is paid by other people, as in the [instance][67] of poor rates sinking the price of labour; or bounties on production sinking the value of the commodity raised, [the producer being][68] entitled to the bounty.

[page] 83. "The price which fulfills" etc.

Though at the moment of exchange, the relation of the supply to the demand is above operative (p. 78), yet the supply must be regulated, since human exertion is almost always involved, by the amount of labour required and its intensity, the volume of capital involved, the abundance or scarcity of the materials in which labour is performed, and finally by the abundance or scarcity "of the food of the labourer." The conditions regulating a continuous supply of a particular commodity are a wage to the labourer enough "to encourage the exertion of a sufficient quantity of industry in the direction required," a remuneration of capital sufficient "to continue the application of this assistance to the production of the commodities required," and a price such "as to effect the continued supply of the food and raw materials used by the labourers and capitalists," i. e., a rent "to the landlord on almost all the land actually in use." These three payments are components of the

[66] Inserted.
[67] Replaces "case."
[68] Replaces "and which is."

price which must be paid to obtain a continuous supply, and this price is what Adam Smith calls the natural price, though Malthus indicates his preference for the phrase "necessary price."

In this account of necessary or natural price Mr. Malthus has in substance said the same as Adam Smith has done, in all which I fully agree, but [I think it is not regulated by supply and demand.][69] is he not inconsistent in maintaining that natural price is regulated by supply and demand. Indeed in the latter part of Page 84 he says that the [value of the][70] component parts of natural price [or][71] cost of production [are the][69] is itself determined by the [relation of the][70] demand [to the][72] supply of those component parts. Now here Mr. Malthus entirely changes his original proposition. He began by saying that the natural price of a commodity depended upon the [relation of the][70] demand [to the][70] supply of that commodity—a proposition which I dispute; he now says that the natural price of a commodity depends upon the demand for and supply of the instruments necessary for its production, that is to say that its cost depends on the varying value of the labour, of the profits, and of the rent of which such cost is made up. On this subject I shall have some remarks to [make][73] in another part of this work. I content myself with pointing out here the essential difference between the two propositions—the latter in fact is this "The natural price of a commodity may rise or fall because its cost of production may rise or fall." No one would dispute this. This is only saying that cost of production [is regulated by][74] the laws which determine rent, profits and wages. We shall see how far [these][75] are influenced by supply and demand.

[page] 86. "If for instance"

This section, "Of the Labour which a Commodity has Cost con-

[69] Deleted.
[70] Inserted.
[71] Replaces "viz."
[72] Replaces "and."
[73] Replaces "have(?) but."
[74] Replaces "depends on."
[75] Replaces "they."

sidered as a Measure of Exchangeable Value," is directly critical of Ricardo's views of labour cost as standard of value. Malthus first argues that the *absolute* labour cost of a commodity cannot be an index to its value in exchange. "If, for instance, at the same time that the labour of producing corn increases, the labour of producing money and many other commodities increases, there is at once an end of our being able to say with truth that all things become more or less valuable in proportion as more or less labour is employed in their production. In this case it is obvious that more labour has been employed upon corn, although a bushel of corn may still exchange for no more money nor labour than before." Labour cost and exchange value have not moved together.

I see no inconsistency, in such case, in saying that corn, labour, and money have all altered in [exchangeable][76] value. I compare them with the value of sugar, iron, shoes, cloth, copper, etc. etc., and I find that they will exchange for more of all these things than before; where then can be the impropriety of saying that these three commodities have risen in value, altho they exchange for precisely the same quantity of each other as before? I am under an absolute necessity of saying this, or of saying that sugar, iron, shoes, cloth, copper and a thousand other commodities have fallen in value, and if I adopt this latter term does not Mr. Malthus's objection offer itself in full force, that while all these commodities will exchange for each other in the same proportions as before, we affirm that their value has fallen? Suppose the mines were not to afford the same quantity of silver that they usually have done with the same quantity of labour, and that in consequence silver doubled in value. If tea sold for 8/– pr. lb. before, it would [then][77] sell for 4/–. If corn [had][78] sold for 80/– pr. quarter, it would then sell for 40/–. But suppose tea to become scarce, and to rise in this valuable medium to 8/– and corn to be obtained with more labour, and to rise to 80/–, would it not still be true that corn, tea, and money had all doubled in value?

[76] Inserted.
[77] Replaces "now."
[78] Inserted.

[page] 87. "In the very earliest" etc.

M. argues that "if we say that the exchangeable value of commodities is determined by the *comparative* quantity of labour expended upon each, there is no stage of society in which it will be found correct." In primitive societies most of the commodities exchanged "would be raw products of various kinds . . . with regard to which, the effects of labour are always uncertain. One man might have employed five days labour in procuring an object which he would subsequently be very happy to exchange for some other object that might have cost a more fortunate labourer only two, or perhaps one day's exertion."

In all the observations of Mr. Malthus on this subject I most fully concur. I have myself stated that in proportion as fixed capital was used; as that fixed capital was of a durable character; and in proportion to the time which must elapse before commodities can be brought to market, the general principle of the value of commodities being regulated by the quantity of labour necessary to their production, was modified; but I was of opinion, and still am of opinion, that in the relative variation of commodities, any other cause, but that of the quantity of labour required for production, was [comparatively][79] of very slight effect. Mr. Malthus remark that this course operates in every stage of society is most just.

[page] 91. "The proposition of Mr. Ricardo etc."

The passage continues "which shews that a rise in the price of labour lowers the price of a large class of commodities, has undoubtedly a very paradoxical air; but it is nevertheless true; and the appearance of paradox would vanish if it were stated more naturally."

I am glad [to notwithstanding][80] to have Mr. Malthus assent to the truth of my proposition. He says "no one could have thought the proposition paradoxical, or even in the slightest degree improbable, if he had stated that a fall of profits would occasion a fall of price in those commodities, where from the quantity of fixed capital employed, the profits

[79] Inserted. [80] Deleted.

of that capital had before formed the principal ingredient in the cost of production." Now I confess, that I feared Mr. Malthus himself would have found the proposition paradoxical, because in some of his works he has maintained that a rise in the price of corn will be followed by an equal rise in the price of labour, and by an equal rise in the price of *all* commodities; and it [was][81] only after further consideration that he thought [it][82] fit to reduce the proportion in which commodities [would][83] vary [when corn varied][84] and to fix it at 25 or 20 pct., when corn varied 33⅓—that is to say when corn varies 100 pct. commodities are to vary 75 to 60 pct.—[Mr. Malthus made no exceptions.][84] Mr. Malthus may say that a rise in the price of corn and labour is a very different thing from a fall of profits—so it is, if the [medium][85] rise is owing only to a fall in the value of the medium in which price is estimated; in which case there is no real rise in the value of corn and labour, and therefore no fall of profits. Mr. Malthus I believe would find it difficult to show that there can be any fall in the rate of profits unless there be a real rise in the value of labour. That only is a real rise in the value of labour when a larger proportion of the whole produce, or the value of a larger proportion, is devoted to the payment of wages—not the proportion of [the produce of][84] one manufacture only but of all.

If the clothier is obliged from a general rise of wages to devote a larger portion of his cloth to the payment of wages, we may be quite sure that the hatter will devote a larger proportion of his hats, the shoemaker a larger proportion of his shoes and the iron founder a larger proportion of his iron to the same purpose. Every other capitalist will be obliged to do the same, and even the farmer, though the price of his commodity rises, will after paying rent have less of it, and of that less quantity he must pay away a larger proportion

[81] Replaces "is."
[82] Inserted.
[83] Replaces "will."
[84] Inserted.
[85] Deleted.

[than before][86] to his labourers. [Mr. Malthus I now understand would agree to the following proposition. In all cases where the rise in the price of corn, is followed by a rise in the money price of wages, and a fall of profits, so far from its being true that all other commodities would also rise in price, there will be a large class which will absolutely fall—some which will not vary at all, and another large class which will rise.][87] This I believe to be a correct opinion. The last class will rise only in a trifling degree, because though they will rise on account of the rise of the price of labour, they will fall on account of the fall of profits. The little fall from the latter cause, will, in a great measure, balance the rise from the former.

See Mr. Malthus opinion Page 95 "What then becomes of the doctrine, that the exchangeable value of commodities is proportioned to the labour which has been employed on them?" etc. etc.

[page] 93. "Consequently upon a rise in the price of labour"

The truth of the Ricardian paradox depends on the proportion of capital to labour in the production of the article being great, because then a fall in profits, accompanied by a rise of wages, will still allow a fall in price of the article. But where the proportion of labour to capital is high, rising wages cannot be compensated by falling wages, resulting in a rise of prices, so that Ricardo's contention that rising wages never raise prices, cannot be true.

I inadvertently omitted to consider the converse of my first proposition. Mr. Malthus is quite right. ["It is quite certain that merely because wages rise and profits fall, all that class of commodities (and it will be a large class) will rise in price, where"][88] in asserting that many commodities in which labour chiefly centers, and which can be quickly

[86] Replaces "of the whole."

[87] See below, page 36, note 27.

[88] Deleted; an excerpt from Malthus (p. 94), upon which Ricardo comments in the succeeding "note."

brought to market will rise, with a rise in the value of labour. See last remark.

[page] 94. "it is quite certain that merely because wages rise etc."

This passage, following directly on the conclusion just stated, continues "and profits fall, all that class of commodities (and it will be a large class) will rise in price, where, from the smallness of the capital employed, the fall of profits is in various degrees more than overbalanced by the rise of wages."

It is curious to observe how Mr. Malthus here adopts the language he condemns, he talks of a rise of wages, of a rise of the price of commodities etc etc—, always supposing that money is stationary in value, and therefore a measure of the real value of other things; for if money was not stationary in value;—if wages rose in money value, merely because money fell, it would not be true that profits would fall;—it would not be true that some commodities would rise [and][89] some would fall, and a few remain stationary—[he then][89] for they would all rise. That definition which he calls arbitrary he nevertheless adopts. [Supposing he had used his own measure of value could he have explained the effects of a rise of wages on relative value—on profits etc? Would he have come to the same conclusions? Certainly not for if][89] If he says that the medium I have chosen is variable, then none of his conclusions are just:—if he [desires][90] admits [its][91] invariability, then there is an end of his objection against the medium [under the conditions I have supposed][91] as a measure of real value.

[page] 95. "What then becomes of the doctrine etc"

If in some cases prices rise (Malthus' case) and in some cases fall (Ricardo's case) if wages and profits vary, there will be a

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[89] Deleted.
[90] Deleted.
[91] Inserted.

marginal case where no change in price occurs, where falling wages or profits just compensate rising profits or wages. But this class will be a small class, and what then becomes of Ricardo's doctrine? For "it appears that, from well known causes of constant and universal operation, the prices of all commodities vary where the *price* of labour varies, with very few exceptions," and the exceptions can hardly be determined.

Mr. Malthus shews that in fact the exchangeable value of commodities is not *exactly* proportioned to the labour which has been employed on them, which I not only admit now, but have never denied. He proves then that [quantity of labour][92] is not a perfect measure of value; but what are its deviations from a perfect measure on account of the circumstances which he mentions?—if they are slight, as I contend they are, [then][93] we are [still][94] in possession of a measure tolerably accurate, and in my opinion more nearly approximating to truth, than any that has been yet proposed. Mr. Malthus' proposed measure has none of the qualities of a measure of value. The imperfections on the score of variability which he himself attributes to it, are greater than any which he imputes to the one which I propose. Money price Mr. M. [justly][95] calls nominal price. The principles of political economy cannot be explained, by the changes which take place in [nominal][96] price. Every one who attempts to explain those principles should adopt the best measure of real value that he can obtain, for that purpose.

Mr. M. has adopted one which he thinks the best, and to the use of that he should have confined himself.

[page] 97. "But as it is known etc etc"—

Ricardo's principle that value is determined by quantity of labour is upset by the quantity of fixed capital employed "and the varying quickness of the returns of circulating capital"; it is also incompatible with the influence exerted by foreign trade, taxation,

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[92] Inserted.
[93] Replaces "they still."
[94] Replaces "nevertheless."
[95] Inserted.
[96] Replaces "real".

and most important, with the payment of rent. It is true that Adam Smith regards rent as entering into price in a different way to other components, and it is also true that "the cost of the main vegetable food of civilized and improved countries is resolvable almost entirely into wages and profits. . . ." Yet the cost of most commodities is analysable into wages, profits and rent. Some few commodities may yield wages only, but as it is known that the latter class is small, "the payment of rent is an absolutely necessary condition of the supply of the great mass of commodities, and may properly be considered as a component part of price."

See [Remark 72—Page 16½, 17] [97]

[page] 98. "And the necessity of paying these rents must affect the prices of almost all the goods fabricated in towns."

Even in the case of "the main vegetable food of an improving country "the price paid, though at the margin yielding little or no rent, covers rent payments on better land. Exchanges between products grown on no-rent land and rent-paying land are constantly taking place, and the variations in the amount of rent paid are no justification for disregarding it as a component part of a price. But monopolised articles are known not to follow the rule of labour cost. Land in towns is a monopoly, ground rents are an expression of that monopoly. The sentence above forms the deduction from these premises.

If the goods were not superior in quality, one does not see what inducement a buyer should have to purchase them in the dearer market.

[page] 99. "All cattle pay rent etc."

Though the price of corn would not be less if no rent were paid, "yet the same cannot be said of the cattle of the country. Of no portion of this species of food is the price resolvable into labour and capital alone. All cattle pay rent, and in proportion to their value not very far from an equal rent. In this respect they are essentially different from corn."

The value of cattle is regulated by the value of corn, if therefore it be shewn that the corn which regulated the [general] [98] value of that commodity, only affords wages and pro-

[97] In pencil.

[98] Inserted.

fits, cattle, obtained under the same circumstances, will yield no rent. I do not mean to say that corn raised [or cattle fed][98] on fertile land, [or cattle][99] pay no rent, only that some corn and some cattle yield no rent, and that this corn and cattle regulate the value of all other corn and cattle. If I manure a field, [at some expense][98] and make it yield more grass, and fat an additional ox upon it, what portion of the price of that ox affords a rent? the value of the ox only replaces capital [and its profits.][100] Mr. Malthus says "if rent were greatly diminished, there cannot be a doubt that the same quantity of cattle might be produced in the market at much lower prices, without any [distribution][99] diminution of the profits or wages of any of the persons concerned." True it might be produced, but the question is, would it? If as Mr. Malthus allows rent is the effect and not the cause of high price—if it be true that "there is no just reason to believe that if the landlords were to give the whole of their rents to their tenants, corn would be more plentiful and cheaper;" * if "the effect of transferring all rents to tenants would be merely the turning them into gentlemen" * then neither corn nor cattle could be produced at lower prices on the lands actually in cultivation, because "the last additions made to our home produce are sold at the cost of production." *

* Inquiry into the Nature and Progress of Rent, Page 57.

[page] 101. "Among the events etc"

It may be argued that though all cattle-land pays rent, the amount of this rent is indirectly determined by labour-cost, for labour cost fixes the price of corn at the margin of cultivation, and the price of corn determines volume of rent. But Malthus denies this chain of reasoning: "The rent of land . . . is not regulated by the price of produce." A common occurrence in all nations is an improvement in agricultural method, which increases output and population and tends to the use of "naturally poorer land with the

[98] Inserted.
[99] Deleted.
[100] Replaces "viz."

same price of produce, the same price of labour, and the same rate of profits." But this will lead to a rise of all rents (including of course the rent of cattle-land) though the price of labour will not have changed.

I can understand, that in consequence of improvements in agriculture, land of a worse quality may be cultivated, with a [lower][1] price of produce, than would have been cultivated if no such improvement had taken place; because a large quantity, at a low price, may be of greater value, than a smaller quantity, at a higher price; but with a lower price of corn [wages will be low[2] and][3] profits will be [high],[4] and it is only because profits are higher that the worse land can be cultivated. Suppose a nation had cultivated its lands as highly as was practicable, and profits were so low that no inducement [was offered][5] to push its cultivation any further—that the labour of ten men on the lands not yet cultivated could not return a [surplus][6] produce of a value sufficient to clothe as well as feed the cultivators—such land would not be cultivated—suppose now improvements in agriculture to take place and consequently the ten men on this bad land could raise [30 pct. more][7] produce [than][8] they could raise before; this land would then be cultivated, if the population increased;—but under these circumstances corn would be at a lower price,—labour at a lower price, and profits higher than before; and on no other conditions could this poorer land afford any profits to the cultivator. How great an error then must it be for Mr. Malthus to say, that with the same price of [labour][9] produce, the same price of labour, and *the same rate of profits,* naturally poorer land would be taken into cultivation.

In the whole of this description Mr. Malthus forgets that the [fact][10] of [an][9] rent [being paid][9] not being a compo-

[1] Replaces "same."
[2] Replaces "lower."
[3] Inserted.
[4] Replaces "higher."
[5] "Existed," in pencil.
[6] Deleted, in pencil.
[7] Replaces "double the."
[8] Inserted.
[9] Deleted.
[10] Replaces "proof."

nent [part of][8] price, does not depend [only][9] [on his proving that all][11] lands [actually][12] taken into cultivation [do pay rent.][8] If he could make out to every body's satisfaction, that there was no land in cultivation, for which a rent was not paid, he would be as far as before from settling the question that rent formed a component part of price. If I can employ more capital on my land, without paying any additional rent for so doing, I can raise [some][8] corn, [some][8] hops and [some of][8] every other agricultural produce, [for][9] into the value of which no rent will enter as a component pat. It is the quantity so raised, and the price at which I can afford to sell it, which regulates the value of all other corn, cattle, and hops, and till this is denied, and can be refuted, the proposition is in my opinion established, that rent is not a necessary constituent of price.—I hope what I have said may be considered as a sufficient refutation of Mr. Malthus's assertion that "there is no portion of wool, leather, flax, and timber produced in this country which comes from land that can be so described" that is to say for [land][13] which rent is not paid. In his Inquiry into the nature of rent he has justly observed "It will always answer to any farmer who can command capital, to lay it out on his land, if the additional produce resulting from it will fully repay the profits of his stock, *although it yields nothing to his landlord.*" 36. This is unanswerable. Into the price of such additional produce no rent enters.

[page] 103. "If we were determined etc."

The view that the labour cost principle only applies to articles which contain no element of monopoly destroys the value of that principle, for then the majority of articles would be excluded from its working. The cost of any commodity at a given moment is the sum of all the payments necessary to market the quantity required. But, "if we were determined to use only one term [for cost] it

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[8] Inserted.
[9] Deleted.
[11] Replaces "on worse."
[12] Replaces "being."
[13] Deleted.

would certainly be more correct to refer to capital rather than to labour; because the advances which are called capital generally include the other two."

If equal capitals yielded commodities of nearly equal value, there might be some grounds for this argument; but as [from][14] a capital employed in valuable machinery, and steam engines, [altho of the same value as a capital which employs labour only, a commodity][15] [a commodity][14] of a very different value is obtained than from a capital, of the same value, employed chiefly in the support of labour, it is at once obvious that the one term, thought to be the more correct [one][15] by Mr. Malthus, would be the most incorrect that could be imagined.

[page] 103. "But if rent"

This follows directly on the previous statement, and runs:—"But if rent enters into the raw materials of almost all manufactures, and of almost all capital, both fixed and circulating, the advance necessary to pay it will greatly affect the amount of capital employed, and combined with the almost infinite variety that must take place in the duration of these advances, will most essentially affect that part of price which resolves itself into profits."

A farmer who pays a high rent, requires no greater capital than one who pays a low rent. He pays a high rent not because he employs a more valuable capital, but because the same capital yields him a more valuable return. He pays it too, after he has sold the produce.

[page] 106. "We have here a clear case of increased cost etc"

Malthus attacks Ricardo's example of the labour cost of wheat doubling, and yet the labourer receiving the same quantity of corn in exchange. The labour cost has doubled, argues Malthus, yet the article buys no more "of that article, which is, beyond comparison, the most extensive and the most important of all the objects which

[14] Inserted. [15] Deleted.

are offered in exchange, namely, labour." Labour cost is not then a measure of exchange value.

I confess I do not understand this passage. Is cost estimated by quantity of labour? [No][16] I understand Mr. Malthus [to say it is; then][17] the cost of corn is doubled because it requires twice the quantity of labour [and he says][17] its value is not doubled because it will exchange for no greater quantity of labour. [But][17] How will it exchange for linen, hats, shoes, iron and every other commodity? it will command double [the quantity][17] of them; then, according to my view, it has doubled in value. But it will not exchange for double the quantity of labour? certainly not, and why? because the value of labour rises with the value of corn, not indeed in the same proportion, because corn is not the only thing consumed by the labourer; but the value of labour rises, and will therefore also command more linen, shoes, hats, iron and every other commodity.

The proof that Mr. Malthus offers, that corn has not doubled in value is, that it will not command so much of a thing, which has at the same time risen in value.

But what is meant by [the][18] a quantity of labour, being the cost of a commodity?—by cost, is always meant [the expense of production][19] estimated in some commodity, which has value, and it always includes profits of stock. The cost of production of two commodities, as I before observed, may be in proportion to the quantity of labour employed on them, but it is essentially different from the labour itself. "This instance," Mr. Malthus adds, "shews at once that the quantity of labour which a commodity has cost in its production is not a measure of its value in exchange." [Certainly not; in Mr. Malthus measure of value in exchange.][20]

[page] 110. "Let us suppose etc"

The money prices of commodities do not represent the quantity of

[16] Deleted.
[17] Inserted.
[18] Deleted.
[19] Replaces "value."
[20] Inserted.

labour employed upon them. To shew this let three assumptions be made: (1) where the production of the precious metals require a certain quantity of capital for a certain time (2) where no fixed capital is required, "but merely advances in the payment of manual labour for a year" (3) "that labour alone, without any advances above the food of a day, were sufficient to obtain the precious metals." If any of these conditions held, prices would be so modified "that we should be as little able as we are at present, to infer from these relative prices the relative proportions of labour employed upon each commodity."

The objection made here to gold as a measure of value on the supposition that [it][21] always required the same quantity of labour to produce it are in substance the very same that were made in the last section to labour itself as a regulator of value. It was [there][22] shown that commodities did not vary exactly in proportion to the quantity of labour which they required for their production:—it is now shown that they do not vary [relatively to one particular commodity][22] *exactly* in proportion to [one][23] the quantity of laborers required [for the production of them, and the particular commodity].[24]

[page] 112. "The market prices of gold"

The market prices of the precious metals depends on actual supplies in relation to actual demand, but this actual supply is only slowly affected by current output. Ricardo admits that the coincidence of natural with market prices depends on the ease with which supply can be varied. Improvements in machinery should increase supply of goods and raise the (real) value of the precious metals "compared with commodities." But the inelasticity of their supply would prevent the prices of goods expressing the "quantity of labour employed upon them."

It was never contended that gold under the present circumstances was a good measure of value, it was only hypothetically, and for the purpose of illustrating a principle, supposed that all the known causes of the variability of gold, were removed. In the case supposed by Mr. Malthus, gold

[21] Replaces "they."
[22] Inserted.
[23] Deleted.
[24] Replaces "for each."

would not be brought to market in the same quantity as before, unless its market price was equal [to][25] or exceeded its natural price; the reduction of the quantity would slowly elevate its price.

[I said "suppose all variations in the value of gold to cease, it would then be a good measure of value. I know they cannot cease—I know it is a metal liable to the same variation as other [things][25] and therefore not a good measure of value, but I beg you to suppose all causes of variation removed, that we may speak about the variations of other [things][25] in an unvarying measure without confusion." [Am I][26] answered by being told that gold is variable, and that I have omitted to mention some of the causes of its variation?][27]

[page] 114. "According to all accounts etc etc"

The precious metals command more goods and service in India than in England. But if one day's labour in England commands a given weight of silver, and this again commands more than a day's labour in India, "the product of a day's English labour must exchange for the product of five or six days of Indian labour, after making a sufficient allowance for the difference of profits."

I most distinctly admit that gold and silver may be of very different values in different countries, particularly if their value be measured by [the quantity of][28] corn and labour which they will command. I have indeed endeavored to shew that this difference is owing to three causes: first, the expense attending the purchase of gold and silver, with bulky

[25] Inserted.

[26] Replaces "should I be."

[27] The paragraph—marked by a pencilled "x" corresponding to a similar mark at the end of the preceding paragraph—is inserted by pasting a half-sheet over the first part of the succeeding "note," thereafter rewritten). The under-side of the pasted half-sheet is recopied and used in the latter part of Ricardo's "note" to Malthus' page 91 (see above, p. 26). The half-sheet evidently formed part of the "first version" of the "Notes," being numbered "29½" and (reverse) "22."

[28] Replaces "corn the value of."

commodities, on account of the expense attending their conveyance to the markets where gold and silver are sold. Secondly, on account of the distance of the voyage which will still further enhance these expence. Thirdly the different rates of profit in different countries, owing to the unequal accumulations of capitals in proportion to the fertility of the land. If labour were much higher in Yorkshire, than in Gloucestershire, profits would be lower, and capital would by degrees be removed from the former to the latter place; so that each district [would have][29] that portion of the general capital which it [could][30] most beneficially employ;—not so between [independent][31] countries. Capital does not move from England to Poland, merely because labour is cheaper there; and for this reason, gold will be low in value compared with labour in one place, high in another.

I do not however agree with Mr. Malthus calculations. In comparing a day's labour of one country, with a day's labour of another, we must take into our consideration the [different quantities][32] of labour, [which may be comprised under the general term of a day's labour.][31] Mr. Malthus has dwelt much on the disinclination to work, and on the indolence of labourers, in countries where food is obtained with the utmost facility, he surely then will not compare a days work of a South American or of a Hindoo, with the day's work of an Englishman, or a Frenchman. [Besides it is not sufficient][33] Does Mr. Malthus really believe that there is five or six times *more labour* employed on Indian Muslins than on English?—[Besides omitting the consideration which I have just mentioned,][31] he surely does not reckon on the labour bestowed on machines, such as steam Engines etc., on coal etc. etc.: [Does not the labour on these constitute][34] a part of the labour bestowed on the muslins?

[29] Replaces "had."
[30] Replaces "can."
[31] Inserted.
[32] Replaces "intensity."
[33] Deleted.
[34] Replaces "not constituting."

[page] 119. "In the first place etc"

Malthus is now dealing with the "Labour which a Commodity will command, considered as a Measure of real Value in Exchange." Labour is suitable as such a measure, firstly because "by far the greatest mass of value is given in exchange for labour either productive or unproductive."

The reader will observe that the quality which appears to be most sought after by Mr. Malthus in a measure of real value is not invariability, but one "which is most extensively the subject of exchange." "Secondly, the value of commodities, in exchange for labour, can alone express the degree of abundance in which they are supplied, compared with the desires and number of those who are to consume them. Thirdly, [upon its][35] the accumulation of capital depends upon "its power of setting labour to work." Now these are important enquiries with reference to other questions but I ask, what can they have to do with a measure of real value? I object to your measure of value says Mr. Malthus because it is not so invariable as you represent it,—there are causes of variations which affect it for which you have not made due allowance. Who would not suppose then that when he proposed a measure of value he would propose one free from these objections? He does quite the contrary, he proposes a measure which is not only variable in itself, but is particularly variable, on account of its connection with other variable commodities, and in his reasons for chusing it gives several which have no reference to the subject, for nothing is to be considered in a measure of value but its invariability or its near approach to that character.

[page] 120. "No plenty of commodities etc"

Labour should be chosen as a measure of real exchange value, because "the great stimulus to production depends mainly upon the power of commodities to command labour, and especially to com-

[35] Deleted.

mand a greater quantity of labour than they have lost." Plenty by itself will not ensure a permanent increase of capital, unless the goods will command more labour than they have lost.

This is true in whatever medium you chose to measure exchangeable value. Estimated in iron, sugar, coffee, a commodity has cost me a certain quantity of one of these articles —I will not produce it, unless it will exchange for more [of that particular article].[35a] Estimated in labour, it has cost me a certain value, I will not produce it if it will not exchange for more. [Estimated in quantity of labour, I will not produce it, if it will not command a greater quantity than has been employed in its production.][35a] Mr. Malthus makes nearly the same observations in the next two pages.

[page] 125. "But still labour etc.—

Malthus admits that labour "varies" owing to variations in supply and demand; he also admits that it commands at different times and places "very different quantities of the first necessary of life," and, owing to differences of skill and the amount of assistance derived from machinery, that "the products of labour are not in proportion to the quantity exerted." Labour is thus not "an accurate and standard measure of real value in exchange." But what is the prospect of finding a better?

The reader is particularly requested to remark the character for invariability, which Mr. Malthus gives to the measure of real value, proposed by himself.

[page] 126. "A certain quantity of corn etc etc.—

Malthus is now considering the claims of "a mean between Corn and Labour" to be regarded as the standard of real value in exchange. Corn of given quality and quantity has "a definite and invariable value in use; but both its real and nominal value in exchange is subject to considerable variations, not only from year to year, but from century to century."

This is also a measure proposed by Mr. Malthus, and the same account of its invariability is given, as he before gave of the invariability of labour.

[35a] Deleted.

[page] 128. "Though neither of these two objects"

Historically, the amount of labour that a given weight of corn would command, and the amount of corn which "a day's labour" would command, have varied considerably. But a combination of the two may yield better results—"when corn compared with labour is dear, labour compared with corn must necessarily be cheap. At the period that a given quantity of corn will command the greatest quantity of the necessaries, conveniences and amusements of life, a given quantity of labour will always command the smallest quantity of such objects; and at the period when corn commands the smallest, labour will command the greatest quantity of them." A mean between the two will therefore be "likely to represent more nearly than either the same quantity of the necessaries, conveniences and amusements of life. . . ."

A complete fallacy seems to me to be involved in the whole of this argument. Corn is a variable commodity says Mr. Malthus, and so is labour variable, but they always vary in different directions; if therefore, I take a mean between the two, I shall probably obtain a measure approaching [to][36] the character of invariability.

Now *do* corn and labour vary in different directions? When corn rises in relative value to labour, labour falls in relative value to corn, and this is called varying in different directions. When cloth rises in price, it rises as compared with gold, and gold falls as compared with cloth, but this does not prove [that][36] they vary in different directions, for at the same time gold may have risen as compared with iron, hats, leather, and every commodity [except][37] cloth. What then would be the fact? that they had varied in the same direction—gold may have risen 10 pct. in value compared with all things but cloth; and cloth may have risen compared with all things [but][38] 25 pct., excepting with [gold],[39] relatively to which it would have risen only 15 pct. We should think it strange in these circumstances to say that [in chusing a measure of value][40] we would take a mean between

[36] Inserted.
[37] Replaces "but."
[38] Deleted.
[39] Replaces "cloth."
[40] Inserted.

cloth and gold, because they varied different ways, when it is absolutely demonstrable that they have varied the same way. Now this is what Mr. Malthus has done in respect to corn and labour. A country finds increasing difficulties in supplying the corn necessary for a continually augmenting population, and in consequence corn rises as compared with all other commodities. As corn rises, which forms so material an article of consumption to the labourer, though not the only one, labour also rises, but not so much as corn:—if corn rises 20 pct., labour may possibly rise 10 pct. In these circumstances, estimated in corn, labour appears to have fallen —estimated in labour corn appears to have risen—but it is evident that they have both risen, [though][41] in different degrees, for they will both be more valuable estimated in all other commodities. A mean then is taken between two commodities which are confessedly variable, and it is taken on the principle that the variation of one corrects the effects of the variation of the other;—as however I have proved that they vary in the same direction, I hope Mr. Malthus will see the expediency of relinquishing so imperfect, and so variable a standard.

From Mr. Malthus arguments in this place one would suppose that labour fell when corn rose, and consequently that with a given quantity of iron, leather, cloth etc. more labour could be [obtained,][42] the contrary is the fact, labour, as well as corn, rises as compared with these commodities. Mr. Malthus says so himself in page 125 "In the progress of improvement and civilization it generally happens, that when labour commands the smallest quantity of food, it commands the greatest quantity of other commodities"—what is this but saying that when a great quantity of other commodities is given for food, a greater quantity of other things is also given for labour, or in other words that when food rises, labour rises?

[41] Replaces "but."

[42] Replaces "bestowed."

[page] 130. "In an estimate of value, the cheapness arising from skill and machinery may without much error be neglected."

Malthus considers that the "principal defect" of his proposed measure arises from "the effect of capital, machiney and division of labour in varying . . . the results of day-labour and the prices of manufactured commodities." But these results refer "rather to riches than to exchangeable value," are in any case impossible of estimation, and can therefore be neglected.

What is this but saying that in an estimate of value it is of no importance what quantity of labour may be applied to the production of commodities? This I think must be an oversight for Mr. Malthus uniformly allows that the quantity of labour employed on commodities is the main cause of their value. [Indeed][43] how can it be denied?

[page] 131. "The sacrifice of toil and labour made in the production of a commodity; that is its cost, or more properly speaking a portion of its cost."

Ricardo has confused value in exchange with cost. Quantity of labour measures the latter, but not the former. "Cost and value are always essentially different. A commodity, the cost of which has doubled, may be worth in exchangeable value no more than before, if other commodities have likewise doubled."

Mr. M. as I have said before misunderstands me—I do not say a portion of its cost measures its exchangeable value —but I say its whole value will be *in proportion* to a portion of its cost, and I do not say this without allowing for modifications and exceptions—though I consider them of no great magnitude. Without misunderstanding me Mr. Malthus could never apply the following observation to my doctrine "Wherever there are profits, (and the cases are very rare indeed in which there are none,) the value of a commodity in exchange for labour is uniformly greater than the labour which has been employed upon it."[44] If I had said that the

[43] Transferred to follow "it."

[44] Op. cit. p. 132.

value of commodities was the same thing as the value of the labour expended on them, the remark would have been well founded, but I have said that the relative value of commodities is [at all times] [45] in proportion to the quantity of labour bestowed on them. That value may be double what the labour cost. The comparison between Mr. Malthus proposed measure and the one which I have proposed is thus summed up "We have therefore to choose between an imperfect measure of exchangable value, and one that is necessarily and fundamentally erroneous." [46]

[page] 136. "Mr. Say in his valuable Treatise" etc.

Malthus states his partial disagreement with Adam Smith and the Economists and his still greater disagreement with more modern writers, who class rent too closely with "that excess of price above the cost of production, which is the characteristic of a common monopoly." He cites Say's statement [47] that "happily no one has been able to say, the wind and the sun belong to me, and payment for their services must be made to me," and attributes it to Say's belief that rent is the result of "appropriation, and to external demand."

Can any one doubt that if [a] [48] person could appropriate to himself the wind and the sun, he would be able to command a rent for the uses to be derived from them?

[page] 137. "The prevailing opinions"

In the same connection, Malthus cites Sismondi's [49] view that rent, so far from being the sole real addition to the national wealth, is the only product of labour which has a purely nominal value, as being merely the result of higher prices paid by the purchaser without his obtaining a real extra advantage. He goes on to add that the "idea of monopoly is pushed still further" by

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[45] Deleted.

[46] Op. cit. p. 132. This follows directly on the passage just quoted by Ricardo.

[47] 'Traité d'Économie Politique,' (1814 ed.), tom. ii, l. 124.

[48] Replaces "any."

[49] 'Traité de la Richesse Commerciale,' (Genève, 1803), tom. i, l. 49.

British economists, referring to Buchanan's edition of the Wealth of Nations.[50]

As I have dedicated a chapter in my Political Economy to the consideration of this subject, I shall not go over the whole again but shall content myself at the present moment with saying that it appears to me that Mr. Sismondi, and Mr. Buchanan are substantially right in the opinion which Mr. Malthus has quoted from their works.

[page] 139. "That quality of the earth etc."—

There are three causes of Rent. "First and mainly, that quality of the earth, by which it can be made to yield a greater portion of the necessaries of life than is required for the maintenance of the persons employed on the land."

That is to say it yields a greater value in return than the value of the labour expended on it. In this it agrees with every occupation in which man engages. If produce of all kinds did not fulfil those conditions it would not be produced.

[page] 139. "That quality peculiar"

The second reason is, "That quality peculiar to the necessaries of life of being able, when properly distributed, to create their own demand, or to raise up a number of demanders in proportion to the quantity of necessaries produced."

This appears to me quite fallacious. I have given my reasons for thinking so in my [work on][51] Polit. Econ. See also remark [on Page 142.][52]

[page] 140. "If there had been no surplus produce there could not have been any rent."

[This sentence does not in fact occur in Malthus' text; it is a free summary of par. 4 of p. 140]

In this all men are agreed.

[50] (Edinburgh and London, 1814); vol. iv ('Observations on the Subjects treated of in Dr. Smith's Inquiry etc.'), p. 184.

[51] Inserted.

[52] Inserted in pencil.

[page] 141. "Or if this surplus produce were not in demand it could have no value, and then rent could not be paid for it."

This again is a free rendering of par. 2 of p. 141. The surplus would have not be sure of possessing equivalent power of command over other things, "if it had not a power of raising up a population to consume it, and, by the articles produced in return, of creating an effective demand for it."

If there be an increase of people we have the means of providing for them—this is an essential condition to the maintenance of an increased population—but it leaves undecided the question whether the people are produced because you have raised the corn, or whether the corn is produced because you have increased the people, and have also all the means of providing [for their sustenance as well as][53] for their other wants.

[page] 142. "If an active and industrious

Land, being the only possible source of the necessaries of life is 'fundamentally different from every other kind of machine known to man.' If an active and industrious family possessed land enough to provide the necessaries of life for five other families as well as themselves, the principle of population would soon ensure that their land would have a five-fold value. But if they only possessed a hatmaking machine capable of providing for 50 people as well as themselves, no increased demand could follow from any efforts the family could make. The powers of the machine might be utterly wasted, or, if a demand did spring up, the value of the products of the machine 'might permanently exceed but very little the value of the labour employed in making them.'

The value of their landed property would not be increased till there was a demand for the additional produce. If they [had a][54] were tenants and had a money rent to pay they would ruin themselves by increasing the supply of produce before a demand existed for it. The money value of the whole produce would be less than when the quantity was less,

[53] Inserted. [54] Deleted.

—and they would have the same money rent to pay. This was the peculiar evil under which the farmers suffered at the termination of the war, when the ports were opened. No producer can have any interest in supplying his commodity in a greater abundance than it is demanded at [its][55] natural price. As soon as it sinks in the market below its natural price, that is to say as soon as the wants of the *existing* population are satisfied, there can be no motive for producing it, but every motive to cease to produce it.

If Mr. Malthus had merely said that with the facility of providing food, population will rapidly increase, because food is one of the most important objects of consumption, it would be impossible to differ with him; but he invariably insists that the increase of population, does not depend on the means which we possess of providing for it, or rather which the people themselves have of providing for their offspring, but on the previous provision of food, which is laid up for them.

[page] 145. "But if the fertility etc"

A diminution of one-half in the output of the precious metals would be quite consistent with a growth of population and wealth. But if fertility of the soil all over the world diminished by one-half, it is clear that "a great part of the population and wealth of the world would be destroyed. . . ." The largest portion of the lands in most countries would be thrown completely out of cultivation, and wages, profits and rents, particularly the latter, would be greatly diminished on all the rest."

I acknowledge that a great part of the population and wealth of the world would be destroyed, but the question is concerning the rents of the landlords—[and not concerning the wealth of the world][56]—one third of 100 millions is more than one fourth of 120 millions. To suppose the fertility of the land diminished one half, is a most extravagant supposition—I made it only to illustrate a principle. Mr. Malthus has misunderstood me—I fully acknowledge the interest which

[55] Replaces "for."

[56] Inserted.

landlords have in the increased fertilty of their land, and in improvements in agriculture [for they cannot fail ultimately to reap the benefit.][56] All I contend for, is, that the immediate effects are injurious to them, and if the principle of population were not [so][57] strong [might][58] be [more or less][59] permanently injurious to them.

[page] 146. "But this is begging the whole of the question"

The excess of price over cost of production of certain wines is due to "the greatness of the competition for such wine, combined with the scantiness of its supply." An increase in the fertility of the vineyards producing these wines would reduce the excess of price over cost; a reduction of fertility would increase this excess "to almost any extent." Ricardo in stating that "*given the high price*, rent must be high in proportion to abundance and not scarcity" begs the question, for "The price cannot be given."[60] Falling supply and external demand might permanently cause "an acre of Champaigne grapes" to "command fifty times the labour that had been employed in cultivating it; but no possible increase of external demand or diminution of supply could ever permanently enable the produce of an acre of corn to command more labour than it would support."

What does Mr. Malthus say in this passage but that the rent of corn land is limited by its [limited][61] power of feeding people—that these vineyards are not limited within so narrow a range. I admit his argument, but it does not change the principle.

[page] 147. "In this case it is physically impossible"

In the case of common monopolies "the demand is exterior to, and independent of, the production itself." But this is not the case with "the necessaries of life." In this case, demand depends on produce, and "it is physically impossible that the number of de-

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[57] Deleted.

[58] Replaces "would."

[59] Inserted, and then deleted.

[60] Cited by Malthus, words italicised by him; cf. Ricardo, "Principles," (2nd edit.), p. 508 (by typographical error, "505" in Malthus' text).

[61] Inserted.

manders should increase, while the quantity of produce diminishes, since the demanders can only exist by means of the produce."

The question is not about the number of the demanders, but of the sacrifices which they will be willing to make to obtain the commodity demanded. On that must its value depend. [" In the partial monopoly of the land which produces necessaries (*sic*)][62]

[page] 147. " In all common monopolies "

A passage continues ". . . an excess of the value of the produce above the value of the labour employed in obtaining it, may be created by external demand. In the partial monopoly of the land which produces necessaries, such an excess can only be created by the qualities of the soil."

Here is an unfounded distinction. In the partial monopoly of the land, which produces necessaries, [(says Mr. M.)][63] such an excess of the value of the produce above the value of the labour, employed in [obtaining][64] it, can only be created by the qualities of the soil,—in the other case they are created by external demand. The qualities of the soil can do nothing in either case without external demand. The rent of our most fertile lands is greater now than it was 100 years ago; why? Because of the increase of external demand, compared with the [facility][65] of supplying it. The qualities of the soil [were][66] the same [then][67] as now, yet rent did not increase, till external demand increased.

[page] 148. " In the production of necessaries etc."

As distinct from other goods, in the case of necessaries " the laws of nature are constantly at work to regulate their exchangeable value according to their value in use." That is, the exchange value " in commanding labour " approximates " towards the value of the quantity of labour which it can maintain, or in other words, to its value in use."

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[62] Deleted.
[63] Inserted.
[64] Replaces " producing."
[65] Replaces " means."
[66] Replaces " are."
[67] Replaces " now."

Why is this? because population is found to increase invariably with the means of providing for it, and therefore its value in corn does not rise—but population and necessaries are not necessarily linked together so intimately—it is not difficult to conceive that with better education and improved habits, a day's labour may become [doubly][68] much more valuable [estimated][69] even in [what are now called][69] the necessaries of the labourer.

[page] 148. "In all common monopolies"

No limit to the price of common monopolies, and to excess of price above cost of production exists. In the case of land producing necessaries, the price of the produce "cannot by any possibility exceed the value of the labour which it can maintain"; whilst the limit of the excess of price over cost is fixed by "the surplus of necessaries which the land can be made to yield beyond the lowest wants of the cultivators, and is strictly dependent upon the natural or acquired fertility of the soil." The surplus will therefore vary directly with the fertility of the soil.

In the whole of this paragraph I most fully concur.

[page] 149. "It is extraordinary that Mr. Ricardo"

Malthus expresses surprise that Ricardo should approve of the opinions of Sismondi and Buchanan, here again referred to. Ricardo, says Malthus, argues that the "price of corn is always a natural or necessary price." If this is so, how can he agree that the price of corn is "like that of a common monopoly, or advantageous only to the landlords, and proportionably *injurious* to the consumers"?

The two opinions appear to me to be quite consistent with each other. It is the expence of producing the last portions of corn which regulate its value, and the value of all other corn that comes to market. Corn raised under more favorable circumstances, and on more fertile land, will afford a rent in proportion to the difference of expence in raising it. This rent then is the condition on which you obtain the

[68] Deleted. [69] Inserted.

whole quantity of corn required—for you could not obtain the additional quantity but on worse land;—to encourage its production its price must rise, and the consequence of a rise of price is rent on the more fertile land. Now this rent is not a clear gain—if landlords receive more the buyers of bread pay more, and therefore I may without meaning the slightest reflection on landlords, which in this case would only proceed from the greatest ignorance, say that this is a transfer of wealth, advantageous to the landlords and proportionably *injurious* to the consumers.

Perhaps in no part of his book has Mr. Malthus so much mistaken me as on this subject—he represents me as supporting the doctrine that the interests of landlords are constantly opposed to those of every other class of the community, and one would suppose from his language that I considered them as enemies to the state. From what I have just said it will be seen that I think rent, and the increase of rent, [is][71] the necessary and unavoidable condition of an increased supply of corn for an increasing population. The whole tenor of my work on Polit. Econ. shews the same thing, and it was hardly fair to select a particular passage, which appeared to have a different meaning and which was applicable only to particular circumstances. In my work, I have spoken with great approbation of that passage in Mr. Malthus former work where he says, that the effect of landlords giving up their whole rent would not make corn cheaper—this I think was not placing the landlord in an invidious light in regard to the consumer. All I meant to say of the landlords interest, was, that it would be for his advantage that the machine which he had for producing corn should be in demand—that in fact his rent depended on it,—that on the contrary it was the interest of the consumer to use the foreign machine, if that would do the work cheaper. It is only in this case, that the interests of the landlord and consumer

[71] Deleted.

[really, if well understood],[72] come in contact,—in this case I am sure they do come in contact, and there is nothing which I have said that I wish to recall on that subject.

I have indeed observed that improvements in agriculture were in their immediate effects injurious to the landlord, and beneficial to consumers, but that ultimately when population increased, the advantage of the improvement was transferred to the landlord. To this opinion I also adhere, but in saying so I cast no reproach on landlords—they have not the power to arrest improvements, nor would it be their interest to do so if they could. Great improvements in any branch of production are in their first effects injurious to the class who are engaged in that branch, but this is the statement of a fact or [72a] of an opinion, and cannot be supposed to cast any injurious reflections. [Mr. Malthus is not justified by any thing I have said in pointing me out as][73] the enemy of landlords, or [as][74] holding any [less favorable][75] opinion of them, than of any other class of the community.

Indeed, I do not see that Mr. Malthus' language is very different from my own; in page 152 he says "The fall of profits and wages which practically takes place, undoubtedly transfers a portion of the produce to the landlord." "The transfer from profits and wages, and such a price of produce as yields rent which have been objected to as injurious, and as depriving the consumer of what it gives to the landlord, are absolutely necessary in order to obtain any considerable addition to the wealth or revenue of the first settlers in a new country." Here the transfer is admitted, but it is said to be necessary—I say exactly the same thing, and in page 138 Mr. Malthus quotes a passage from Mr. Buchanan for the purpose of condensing it which appears to me to express

[72] Inserted.

[72a] *Sic;* evidently "not."

[73] Replaces "I know full well that I am not deserving of half the kind things which Mr. Malthus says of me, but I know also that I do not merit being held up as."

[74] Replaces "of."

[75] Replaces "worse."

only the same opinion. "The high price in which the rent or neat surplus originates, while it enriches the landlord who has the produce of agriculture to sell, diminishes, in the same proportion the wealth of those who are its purchasers; and on this account it is quite inaccurate to consider the landlord's rent as a clear addition to the national wealth.

[page] 152. "Nor is it possible etc"

What appears later as rent, appears in the early stages of society, or when an old society applies knowledge and capital to fresh and fertile land, as "extraordinarily high profits and extraordinarily high wages," and only to a small extent as rent. But further accumulation of capital, beyond what is required on the best land, lowers profits and an increase of population lowers wages. Expenses of production thus fall, but the price of produce keeps up, and thus on the more fertile land, a rent appears. Nor is it possible that rent should permanently remain "as parts of the profits of stock, or of the wages of labour. If profits and wages were not to fall, then, without particular improvements in cultivation, none but the very richest lands could be brought into use."

A part of what in future will be rent forms now the profits of stock. It is incorrect I think to talk of rent forming at any [part][76] time the profits of stock, rent is formed from profits of stock, and it was not rent when it was profits.

[page] 152.[77] "Mr. Ricardo has quite misunderstood me etc. etc"

Ricardo represents Malthus as saying 'that rent immediately and necessarily rises or falls with the increased or diminished fertility of the land.'[78] "Having stated three causes as necessary to the production of rent," continues Malthus, "I could not possibly have meant to say that rent would vary always and exactly in proportion to one of them." Ricardo himself commits an error by referring rent exclusively to the relative scarcity of fertile land "although he has himself acknowledged, that without positive fertility, no rent can exist."[79]

[76] Deleted.

[77] This and the succeeding "note" subsequently inserted by attaching a half-sheet and recopying the deleted part of the original sheet.

[78] Cf. Ricardo, 'Principles' (1819), p. 507.

[79] Cf. op. cit., pp. 506, 507.

I certainly did misunderstand Mr. Malthus. [He certainly did][80] He says [he][81] stated "three causes as necessary to the production of rent and he could not possibly have meant to say that rent should vary always and exactly in proportion to one of them." I should think that my inference that he did was the natural one if the other causes were at the time inoperative. One of the causes stated by Mr. Malthus as necessary to the production of rent is the comparative scarcity of the most fertile land. If he had said increase this comparative scarcity and rent will rise—I should have agreed with him [and here would have been one cause influencing rent without any interference from the other two][81] [although But][81a] when talking of what he calls another cause of rent, the [said][80] fertility of the land, and the excess of its produce beyond what is necessary to support the labourers,—employed on it, he said Diminish this plenty, diminish the fertility of the soil and the excess will disappear,—he did appear to me to identify the excess or surplus produce with rent, and he appeared to me to lead his readers to infer that rent rose and fell with the quantity of this surplus produce. And after reading Mr. Malthus's work which is now before me he appears to me by his language frequently to convey an impression to the mind of his reader that rent [rises and falls with the rise and fall of the quantity of][82] surplus produce beyond what is bestowed on the actual labourers. In page 228 Mr. Malthus says, "But if it be granted, as it must be, that a limitation in the power of producing food is obviously necessary to man confined to a limited space, then the value of the actual quantity of land which he has received depends upon the small quantity of labor necessary to work it, compared with the number of persons which it will support—or in other words, *upon that specific surplus so much under-rated by Mr. Ricardo, which by the laws of nature terminates in rent.*"[82a]

[80] Deleted.
[81] Inserted.
[81a] Replaces "so."
[82] Inserted.
[82a] Italics not in Malthus' text.

[page] 154.[83] "The expenses of cultivation having fallen etc., etc"

No one will put additional investment of capital in more fertile land, when more proportionately could be got from less fertile land. If on the infertile land 30% is earned, and "portions of the old land" yield 40%, "ten per cent. of the forty would obviously be rent by whomsoever received." As expenses fall (including profits), "poorer land, or land more distant from rivers and markets, though yielding at first no rents, might fully repay these expenses, and fully answer to the cultivator." Malthus explains in a footnote to p. 154 that his conception of falling wages and those of Ricardo "are totally different. He speaks of the cost of producing the necessaries of the labourer; I speak of the necessaries themselves." That is why "wages and profits fall at the same time" when returns decline "whether on new land or old."

In what medium fallen? Not in money — not in Mr. Malthus' measure of value, wages. Except in corn the commodity which requires more labour and rises in value, the expences of cultivation would have risen in value.

[page] 154. "And at every step it is clear, that if the price of produce do not fall, the rent of land must rise"

With a progressive decline of wages and profits, worse and worse land "might be taken into cultivation," with the result that rents will progressively increase. The price of produce will not fall, so long as the non-agricultural classes "can find something to give in exchange to the cultivators and landlords, which will stimulate them to continue undiminished their agricultural exertions, and maintain their excess of produce."

It is curious to observe how Mr. Malthus explains the laws of rent, of profits, etc. without having recourse to his own measure of [real][84] value;—he contents[85] himself with a medium which he condemns, and deems variable. If he says that during the changes he explains, the medium is varying, then the alteration in price may be owing to the variation in the medium, and his account of a rise of rent, and a fall of

[83] The clear copy of a much amended "note," deleted as above (p. 52, n. 77).
[84] Inserted.
[85] The inserted and recopied sections terminate here.

wages, is quite unsatisfactory. If he says that to illustrate his argument, he supposes the medium invariable, then he has done what he condemns in me, for I have only supposed that all the causes of variation in gold were removed, and that it was itself invariable.

But Mr. Malthus has another better measure of real value, why then does he not uniformly use it? there is no information given by telling us of alteration in nominal value. If Mr. Malthus supposes gold in the case he now mentions invariable, it ought to agree with his better standard. If Mr. Malthus chuses the medium which I use, he ought to argue fairly [with][86] it, he ought to say, not [that][87] the price of produce would not fall, but that it would absolutely rise, for it is the demand for corn which is the original cause of the cultivation of new land. [But][88] It is the high price of corn, which finally lowers profits, because the smaller quantity obtained on new land at a high price, will not compensate for the higher wages, which are consequent on the higher price of corn. To be consistent then if Mr. Malthus talks of money prices he must say that corn, rent, and wages would rise, but profits [would][87] fall. But with these higher wages the labourer will get less [necessaries and][87] enjoyments than before; and therefore [in Mr. Malthus's medium][87] they should be called lower wages. I acknowledge that [the labourer][89] will get less of these enjoyments, but that does not prove his wages of less value. If I gave a man a shilling a week for the purpose only of buying sugar, and from the effects of a hurricane, sugar should rise to double its former value, no one would, I think, deny that I should give a greater value to the man if I gave him eighteen pence a week, altho it would purchase him less sugar than one shilling purchased him before. But my complaint against Mr. Malthus now is that he neither uses my language consistently,

[86] Replaces "from."
[87] Inserted.
[88] Deleted.
[89] Replaces "he."

nor his own. In his own he would have been obliged to say "Population increasing, and there being a demand for a great quantity of corn, all other commodities would have fallen in value, that is to say they would have fallen in the standard which I have chosen, corn, which is of course invariable.

The consequence of this fall of value of all commodities would be also a fall of wages, but not in the same proportion as the fall of commodities, consequently if the standard be corn goods [will][90] have probably fallen 20 pct., if it be labour they will have fallen 20 [90a] pct. But as my standard is itself a commodity, and may be increased in quantity, there is much greater temptation to increase it, than to increase any other commodity, for as compared with labour this commodity has increased in value, [as compared with][91] all others compared with labour have fallen [in value],[90] and consequently greater profits will be obtained by the production of corn;—this however is a wrong conclusion,—it would be true if land of equal fertility could be taken into cultivation, but recourse must be had to poorer land. The smaller quantity obtained on this land, will bear the same relation to the quantity of labour [employed][90] as the quantity of corn obtained in exchange for any manufactured goods, will bear to the labour that obtained them; consequently the final result of the increase of population, and the greater demand for corn, will be, a fall in the value of all commodities, lower profits, lower corn wages, and a transfer of a part of the produce, of the better lands, from profits to rent. Landlords will benefit in two ways, first in getting more corn for rent, secondly in getting all goods for a less quantity of corn." This is the way I should explain the laws of rent, and profit, if I adopted Mr. Malthus language, it differs not in principle from my own, every thing is the same except the medium in which value is estimated.

[90] Inserted. [90a] Illegible. [91] Deleted.

[page] 154. "When a given portion etc., etc"

This refers to the footnote already cited; the passage runs, "When a given portion of labour and capital yields smaller returns, whether on new land or old, the loss is generally divided between the labourers and capitalists, and wages and profits fall at the same time."

True the loss of *quantity* is generally divided between the labourers and capitalists, but we are not talking of quantity, we are talking of value. Will the labourer have less value? if quantity and value be the same thing, and in raw produce [they are],[92] according to Mr. Malthus, he will;—but if with the reduction of quantity the value rises, it is certain that the labourer will have a smaller quantity and a greater value —the farmer will have both a smaller quantity, and a smaller value.

[page] 155. "It may be laid down etc., etc"

As wealth and population progress "the separation of rents, as a kind of fixture upon lands of a certain quality, is a law as invariable as the action of the principle of gravity": these rents are not purely nominal, nor an injurious or unnecessary transfer from class to class, "but a most real and essential part of the whole value of the national property, and placed by the laws of nature where they are, on the land, by whomsoever possessed" . . .

Who denies this? I have expressly affirmed it.

[pages] 155-156. "And under whatever name this may be taken it is essentially rent."

The gradual emergence of rent is inevitable, "in a natural state of things," but bad governments and unnecessary monopolies often occasion a premature formation of rent. The claim of the great Eastern monarchs to be considered the owners of the soil has enabled the government to very early claim "a certain portion of the produce of all cultivated land," and this portion is rent, whatever its name.

Profits come out of the surplus produce and if profits were taxed, the tax would come out of the surplus produce,

[92] Replaces "it is."

but it would not therefore come out of rent. Here Mr. Malthus identifies surplus produce with rent. See remark 152.

[page] 156. "Such ample profits and wages as could not be obtained" etc.

But in spite of such premature appropriation, owing to the great extent of fertile territory in these monarchies, "the natural surplus of the soil was very considerable," and so long as these claims were moderate, wages and profits of agriculture were higher than in other occupations, and allowed a rapid increase of population.

Why should profits and wages, in agriculture, at any period of society, be greater than in any other employment?

[page] 156. "It is obvious etc."

Such a monarch might however obtain "an excessive rent." He might demand "all that was not necessary to allow of a moderate increase of the cultivators." The proportionate amount taken would probably be greater then than at more advanced stages of society; but cultivation would be limited to the most fertile tracts "and profits, wages, and population would come to a premature stop."

An excessive rent could only be obtained by these means, at such a time. [To take the produce of the land is the same thing as to diminish its fertility. Mr. Malthus allows here then that to diminish][1] The rent would be created by raising prematurely the value of corn as compared with all other things. Would Mr. Malthus deny that this rent, [though][2] profitable to the government, would be proportionably injurious to consumers?

[page] 157. "But whatever may be the nature etc"

Exactions of the kind mentioned are the probable cause why in many places in the East, "progressive cultivation and population" have been checked, "while much good land has remained waste." Any monopoly which takes more from wages and profits than the

[1] Deleted.

[2] Replaces "however."

"natural fall of profits and wages" permits, acts in the same way. But in all cases "the power of paying a rent or taxes on the land, is completely limited by its fertility."

Who is disposed to underrate the importance of fertility in the land? The surplus produce is necessarily limited by the fertility of the land.

[page] 157. "It may be thought"

Why do not the cultivators prevent this premature separation of rent from wages and profits by quitting the land? They cannot, argues Malthus. They are in a "low and degraded condition;" possessing little capital and still less that could be usefully employed elsewhere, there is a small demand for the products of non-agricultural classes, consequently low profits. Whilst labour "in other departments" is badly paid because the government by spending the proceeds of the taxes "soon raises up a population to be employed by it."

Capital and labour would get no greater advantage in other employments, not for the reasons stated by Mr. Malthus, but because as soon as the tax affected profits, by first absorbing the rent, it would raise the price of raw produce. The rise in the price of raw produce would raise wages and affect the profits equally in all employments, so that there would be no temptation to remove capital from the land.

[page] 160. "This would depend etc"

Causes similar to those operative in the East no doubt operated in earlier periods in Europe, when conditions prevented peasants from changing their occupation, whilst the conditions of land tenure equally prevented those who had made money in trade or industry from cultivating land. Trade and agriculture were non-competing activities, "and their profits might in consequence be very unequal." But whether the profits of trade were high depended upon supply of capital in relation to demand for goods.

What have profits to do with [the supply of][3] capital employed in manufactures and commerce? Profits in agricul-

[3] **Inserted.**

ture would be high, if the return to the farmer, after paying his rent, was great, in quantity, compared to the quantity which he must expend for the support of his labourers and other necessary outgoings. Profits mainly depend on the fertility of that land, for which little or no rent is paid.

[page] 161. "Such an accumulation of capital as will lower the profits of stock."

Four "causes" tend to "diminish the expenses of cultivation, or reduce the costs of the instruments of production, compared with the price of produce. The first is here stated.

It is here inferred that a fall of profits is a necessary consequence of an accumulation of capital. No mistake can be greater.

[page] 161. "Such an increase of population"

The second cause is "Such an increase of population as will lower the wages of labour."

It is here also inferred that a fall of wages would necessarily follow an increase of population; it is evident that this must depend on the demand for people. It is also asserted that a rise of rent will necessarily follow a fall of [corn][4] wages. By wages, here, Mr. Malthus means corn, not money wages. Now suppose the corn wages of labourers to fall throughout the country, what temptation would that offer to cultivate fresh land? In the first instance none—the sole effect would be to raise profits.

The rise of profits might lead to fresh accumulations—to an increased demand for labour—to an increase of people—to a higher price of produce, and to an increase of cultivation. Low wages then only operate as they may lead to the accumulation of capital, the first cause of the rise of rent mentioned by Mr. Malthus, and would only produce that effect, if the

[4] Deleted.

land to be taken into cultivation were less fertile than that already cultivated.

[page] 161. 3dly. "Such agricultural improvements"

The third cause is stated thus, "Such agricultural improvements, or such increase of exertions as will diminish the number of labourers necessary to produce a given effect."

The fourth cause of increased rent is an increased price, resulting "from increased demand," such as to increase the difference between expenses of production and selling price.

This is precisely the same as the last cause, and would lead probably to the accumulation of capital by increasing the rate of profits. Mr. Malthus great mistake seems to be this He first lays [it][5] down, [what][6] is certainly true, that rent is derived from the surplus produce of the land; he then argues that every thing which will augment this surplus produce will raise rent.* But he forgets that profits are also paid out of the surplus produce, and therefore although I agree with him, that a fall of wages, [and improvements in agriculture][5] will increase the surplus produce, [my][5] I do not agree with him that [this increase][7] will go to rent—[it][7] will infallibly go to profit. I do not say that [it][7] will always remain a part of profit, for with the increase of population, and the employment of additional capital on the land, it is highly probable that a part of [if not the whole and more than the whole][8] these profits may be transferred to rent.

Mr. Malthus knows, and admits, that rent is the difference between the produce of two equal capitals employed on the cultivation of the land. I ask him then confidently if that difference is increased by a fall of wages? Mr. Malthus[9] may say [that][10] improvements on the land, if they increase the produce on all land in equal proportions, will increase the

* See 152.

[5] Deleted.
[6] Replaces "and which."
[7] Replaces "they."
[8] Sic; inserted.
[9] Remainder of "note" subsequently inserted.
[10] Replaces "but."

difference [in corn produce][11] between equal capitals employed on the land. True, but will this difference be of greater value, [and if it be not will it lead to increased cultivation?][11] will it command more shoes, clothes, furniture, etc. etc.? No,—it may possibly command more labour, that is to say, as labour falls, an equal value of rent will command more. But so will every other equal income in the country [and therefore the cultivation of land will not be preferred to any other employment of capital].[11] The capitalist will not only obtain an income of greater value, and therefore obtain more of all commodities that he is desirous of consuming, but with an equal quantity of money, he can command an increased quantity of labour. In this last particular he will be on a par with the landlord. The stockholder will participate in this common advantage, he will receive the same money dividend, but nothing will be lowered in price except labour.

This is on the supposition that the [landlord][12] receives an increased corn rent, but he will receive for a considerable time a less corn rent. The improvements in agriculture will increase faster than [the population][13] can be increased, consequently capital will be withdrawn from the land, for though there would not be an increased demand for corn, there would be an increased demand for other things. So withdrawn capital from the land must be accompanied with a fall of rent. If the corn rent did not fall, the money rent would, and if the prices of all the commodities on which rent was expended, did not fall, which they would not, Mr. Malthus would probably allow that this was a real fall of rent. I think I see a tenant going to his landlord with £90 instead of a hundred, the prices of all commodities except corn being nearly the same as before, and telling him that he had brought him an increase of rent. He would say I have had it proved to me that corn and labour are the only measures of real

[11] Inserted. [12] Replaces "farmer." [13] Replaces "people."

value—with 90£ you can obtain more corn, and more labour, than you could before [with 100£][14] you have therefore an increase of rent. The [apparent][14] fall is merely nominal. The landlord in all probability would say that it was sufficiently real, since notwithstanding the increase of his rent in this real standard, he was less able to command [most of][15] the necessaries and [all the luxuries][16] of life.

I know this argument may be retaliated on myself, it may be said you on many occasions say that wages are increased because they rise in your standard of value, the unfortunate labourer however finds when he goes to market with his increased wages he can obtain a less quantity of [one of the chief][17] necessaries [and conveniences][18] of life—he then would as you before represented [respecting][19] the landlord be content to receive lower wages, if he could get increased comforts. To this I answer that the grievance of the labourer is that the one commodity which he most wants is risen in value, all except corn have remained at the same price, and therefore he can with his wages command more of them all; [except this one commodity][14] estimated in the mass of commodities, his wages are really increased.

In the former case, estimated in the mass of commodities the landlord's rent was lowered,—it was increased only if estimated in one single commodity.

[page] 161.[20] "In the same manner if population etc"

An increasing population, if it outstrips the demand for labour, will force labourers "to content themselves with a smaller quantity of necessaries"; expenses thus falling, new and hitherto unprofitable land can now be cultivated.

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[14] Inserted.
[15] Replaces "all."
[16] Replaces "enjoyments."
[17] Replaces "all the."
[18] Deleted.
[19] Replaces "of."
[20] Deleted and recopied—to make room for paragraphs added to preceding "note"; see p. 61, note 9, above.

If labourers required less corn wages one can easily understand why their employers should be willing to employ [the][21] additional corn capital, which wd. revert to them, in manufactures; but one can see no reason why they should be induced to cultivate more, and poorer land. Why produce more of a commodity, if the consumption of it be not increased?

[page] 162. "All that is necessary etc"

A permanent fall in profits and in real wages simultaneously is a normal feature of increasing wealth and population. This may be caused by rising corn prices, accompanied by a less than proportionate rise in money wages. But this assumes that money has a constant purchasing power, and profits "may undoubtedly fall, and rent be separated, under any variations of the value of money," all that is necessary being "that an increased proportion of the value of the whole produce obtained by a given quantity of capital, should be absorbed by labour."

I quite agree with Mr. Malthus in the principle here laid down, but I [should][22] think it a great error to say that wages had fallen, when it was agreed that the labourer had an increased proportion of the value of the whole produce obtained by a given quantity of capital. Value is I think measured by [the][23] proportion.

[page] 163. "But it is obvious etc etc"

Such a fall of profits will be produced on the land by a falling output unaccompanied by "a proportionate diminution of the part absorbed by labour, which leaves less for profits, at the same time that the real wages of the labourer are diminished." But capital and labour thus get a smaller real return; expenses of cultivation fall, poorer land can be cultivated, "and rent will rise on that which was before in cultivation."

This is correct provided there be a demand for the produce—that is absolutely essential to increased cultivation. Mere quantity of produce will not compensate the producer.

[21] Replaces "an." [22] Inserted. [23] Deleted.

[page] 163. "The third cause"

The cause itself is agricultural improvements; but the sentence cited continues, "enumerated as tending to raise rents by lowering the expenses of cultivation compared with the price of the produce."

Here expenses of producing are compared with the price of produce—this supposes an adequate demand for the produce. The question in dispute is taken for granted.

[page] 163. "Mr. Ricardo has observed"

In a footnote Malthus attacks Ricardo's statement that "no fall of wages can raise rents,"[24] etc. Where, Malthus asks, "will the high real wages of America finally go?" A permanent high real wage would restrict cultivation to the richest lands. Increased population and a "fall of such wages" are a condition of taking poorer lands into cultivation. But this is a cause of higher rent.

Mr. Malthus asks me where the high real wages of America will finally go? I answer they will go with almost the whole of the rest of the surplus produce to rent. But the question is what are the successive steps by which they will arrive at rent. First, they will, when they fall, raise profits.—High profits lead to new accumulations—new accumulations to an increased demand for labour, to an increase of people—to the cultivation of poorer land and finally to an increase of rent. Mr. Malthus is for jumping over these intermediate steps, and leads his reader to conclude that every fall of wages, and [the effects of][25] every improvement on the land, are immediately transferred to rent. In this instance, I represent the landlords in a more favorable point of view than he does.

[page] 163. "If the improvements were of such a nature etc."

Improvements which reduced costs without increasing produce would not alter prices. But the "extravagant profits of the farm-

[24] Ricardo, "Principles" (1819), p. 516; read "rent" for "rents."
[25] Inserted.

ers" would soon melt away under competition coming in from outside, profits from land "would soon be at their former level, and the increased surplus from the diminished expenses of cultivation" would raise rents.

[How can the cost of production be reduced without lowering price?][26]. How can the cost of production be reduced without increasing the quantity of produce, or without lowering price? The supposition involves a contradiction.

The manufacturers are making low profits, and the farmers high ones, what is to make their profits meet? The reduction of the price of corn which would infallibly be effected without any more capital being employed on the land. What is meant by an improvement? I do not understand the meaning of the word if it be not that with the same [quantity of labour][27] a greater [quantity of][28] produce can be obtained; although then the price of produce should fall, profits would rise, because the whole produce, at a low price, would be worth more than the former whole produce at a higher price.

But the cost of labour would fall with the fall of corn, consequently profits would finally settle at the proportion between the corn expended and the corn obtained. How could rent rise? Would any thing raise rent but taking poorer land in cultivation? But you might take poorer land into cultivation because profits are higher! true you might, but would you, till your population had increased, seeing that the very improvement gave you such an additional supply that you would be induced to take capital from the land to manufactures? But how would the profits of manufactures be increased? By the fall in the price of labour—their commodities would have the same exchangeable value [in relation to each other and to money][29] as before, but the price of producing them would be reduced. My conclusion then is in direct opposition to that of Mr. Malthus—profits on all capital employed in agriculture and manufactures would be high, and

[26] Deleted.
[27] Replaces "capital."
[28] Inserted.
[29] Inserted.

rents instead of rising would fall, because capital could not be added to the land, but would in all probability be withdrawn from it.

[page] 164. "But if these improvements"

But such improvements would in fact bring more corn to market, and lower its price. But this fall "would be of short duration . . . the tendency of population to press against the means of subsistence" would soon raise the prices of corn and labour, and lower profits to the old level. Meanwhile, the cultivation of poorer lands, and improved cultivation of better land "would universally have raised rents." Rents might be rising continuously, without raising corn prices, or reducing real wages "or the general rate of profits."

Answered.

[page] 165. "And the power of the necessaries of life etc. etc."

The proof of the great improvements in agriculture is the maintenance of the rate of profits, in spite of a doubling of the population. And the power of increased agricultural output to create its own demand is shown by the maintenance of the exchange value of corn, in spite of great agricultural improvements. "In fact, these improvements have gone wholly to the increase of rents and the payment of taxes."

The proof is very far indeed from satisfactory. To prove that corn raises up demanders it is said that wages have not materially altered. This no more proves that corn has raised up demanders than it proves that demanders have raised up corn, or been the cause of its being raised up.

[page] 165. "It may be added etc."

Improvements in particular districts "go immediately, upon the renewal of leases, to landlords, as the profits of stock must necessarily be regulated by competition, according to the general average of the whole country."

This must depend upon the degree of improvement in those districts. If the supply from those districts were very

greatly increased, rent might be raised on the renewal of leases in them, but it would generally fall in other places, and so would also the price of corn; for the worst land would be thrown out of cultivation.

[page] 167. "If a great and continued demand etc."

This is an illustration of the fourth of the causes assigned. "A great and continued" export demand for raw produce would raise its price, and might stimulate much fresh cultivation and the extension of improvements. But ultimately labour costs would rise to the old level, relatively to corn: "a decided fall in the value of money . . . might generally take place; labour would become extremely productive in the purchase of all foreign commodities; and rents might rise without a fall of profits or wages."

The price of corn would rise very high, for a time, but whether the rise would be permanent, would depend on the quality of the soil from which the additional quantity should be obtained. If [it were][30] no worse than [that already in cultivation],[31] prices would finally settle at their old prices, and profits would only for a time be higher than before. But if worse land was taken into cultivation, the price of corn would rise, and profits would be [permanently][30] lower [than before].[32] I do not know how any fall is to take place in the value of money, but I believe Mr. Malthus would call that a fall in the value of money which I call only a rise in the price of a commodity. Every rise in the price of corn he calls a fall in the value of money, altho' money should exchange for precisely the same quantity [as][33] before of every other commodity—[that][34] I should call [it][35] a rise in the price of [money][34] corn, without the slightest variation in the value of money. Money I think only falls in value, when it will exchange for less of all things; not when it will exchange for less of one thing, or of two things, or of a dozen things. There is a marked difference which Mr. Malthus's

[30] Inserted.
[31] Replaces "before."
[32] Deleted.
[33] Replaces "of."
[34] Deleted.
[35] Inserted.

language has not provided for, between a rise in the value of a commodity, and a fall in the medium in which value is estimated. Mr. Malthus would agree that if the demand doubled for hats, that though they would at first rise, they would finally be supplied [in the requisite abundance at the old prices—why would it not be the same with corn unless the expences of production became greater?][36] Mr. Malthus concludes this passage by saying that labour would become extremely productive in the purchase of all foreign commodities; and rents might rise without a fall of profits or wages. I think it can be demonstrated that rents could not rise even under the circumstances of this increased demand, unless the expences of production were reduced, or new land of an inferior quality were required to afford the supply.

[page] 167. "The state of money prices etc"

The preceding argument is strongly supported by "the state of money prices and the rapid progress of cultivation in North America." The high price of corn and labour there "has given great facilities to the farmers and labourers in the purchase of clothing and all sorts of foreign necessaries and conveniences."

Here is a mixture of facts and of argument. The facts I must take on Mr. M.'s authority—they appear I confess very extraordinary and I cannot help suspecting some mistake in the statement. "The price of wheat in the eastern states of America is nearly as high as in France and Flanders; and owing to the continued demand for hands, the [money][37] price of day labour is nearly double what it is in England." The land then must be [more than][37] doubly productive, with the same quantity of labour employed on it, or profits in those states must be lower than in England, for the price of the produce is considerably lower [in France and Flanders][37]

[36] Rearranged by Ricardo so as to read: "at the old prices in the requisite abundance, unless the expenses of production became greater—why would it not be the same with corn?"

[37] Inserted.

than in England. It is undoubtedly true that if a country is to pay a certain money price for foreign necessaries and conveniences, it is for its interest to sell the commodity which it exports [above][38] at a high, rather than at a low price; it is desirable that for a given quantity of its own commodity, it should obtain a large rather than a small quantity of [the][38] foreign commodities in return, but in what way a nation can so regulate its affairs as to accomplish this by any means which it is in its power to adopt, I am totally at a loss to conceive. All trade is in fact a trade of barter, and if money can by any laws be so distributed or accumulated as to raise the price of exportable commodities, it will also raise the price of imported commodities; so that whether money be of a high or [of][39] a low value, it will not affect foreign trade; for a given quantity of a home commodity [in either case will be bartered[40] for a given quantity][41] of a foreign commodity. If the exportable commodity [wheat][39] had been at a low price in the Eastern States, while the foreign commodities were at a high price, [those states][42] would not have been so prosperous, because [they][43] would not have made such advantageous exchanges. This appears to me to be the substance of Mr. Malthus' observations. [If countries had the power of regulating prices they would all sell at high prices and buy at low ones.][44]

[page] 168. "Effects of a similar kind"

Similar effects were produced in England between 1793 and 1813. The difficulties of import raised the price of corn, stimulated improvement, and raised wages almost in proportion. Compared with foreign countries there was a general rise of prices or "fall in

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[38] Deleted.
[39] Inserted.
[40] Replaces "given."
[41] Replaces "neither more or less will be received."
[42] Replaces "the country."
[43] Replaces "it."
[44] Added by Ricardo, in pencil.

the value of the precious metals . . . which our increasing foreign commerce and abundance of exportable commodities enabled us to sustain." Rents rose greatly. M. draws the conclusion "that a fall in the value of the precious metals, commencing with a rise in the price of corn" encourages fresh cultivation and increases rents.

The price of grain in England rose from two causes: one, which was common to all other commodities, the fall in the value of the medium in which price was estimated; this rise was merely nominal, and was occasioned by the depreciation of paper money. The other cause was, as Mr. Malthus states, the increased expence of importing corn. On a comparison of the expence of growing our corn, and importing it, [it][45] was [found][45] cheaper to grow it than to import it, but with a given [expence][46] less corn was obtained, than we could before import, and so far the change was highly disadvantageous to England. For a time indeed, from the urgency of the demand for this prime necessary of life, its value might be sustained in the market at a price greatly exceeding its cost [of production][47] or natural price; and during such time agricultural profits might be high; but it would be very unsafe from such a circumstance to infer any general rule that such a change [was not][48] from importing to growing corn, [was][48] not from choice, but from necessity, was not very injurious to the interests of the country [for it must be remembered that there high profits were and could only be at the expence of the consumer.][49]

But it seems that we derived a compensation from the general rise of the prices of our commodities! By what was this general rise occasioned? Not by our growing our own corn, that may raise the price of corn but will not raise the price of any other commodity [but by a fall in the value of money.][50] Corn rises [first][51] comparatively to other things, on account of the increased difficulty of producing it; com-

[45] Inserted.
[46] Replaces "expenditure."
[47] Inserted.
[48] Deleted.
[49] Inserted by Ricardo, in pencil.
[50] Inserted, and subsequently deleted in pencil.
[51] Deleted in pencil.

modities[52] rise [next][53], and corn rises still more, on account of the fall in the value of money, [which if confined to paper money and not extending to bullion is called][54] depreciation of money. But such a rise is only nominal; if goods rise 20 pct., the exchange is 20 pct. against us, bullion is at 20 pct. premium.

[Suppose money now to fall in value, not only commodities, but corn also, will rise in price; but the one rise in corn is totally independent of the other. The one rise is owing to the difficulty of production and is confined to corn and agricultural produce, the other is owing to a fall in the value of money and is common to all commodities. This second rise is only nominal, and if it be caused by a depreciation of paper money, which is partial to this country, though goods and corn may rise 20 pct. bullion will also rise in the same degree and the exchange will be proportionately against us,][55] so that in all our transactions with foreigners we buy of them as dear and sell to them as cheap as if no such rise had taken place. That rents would rise when we ceased importing corn is precisely what would be expected—poorer soils would be taken into cultivation which never fails to raise rent.

The peculiar circumstances under which we were placed, sunk, according to Mr. Malthus, the value of the precious metals in this country [as compared with their value in other countries].[56] Money was depreciated then, because it was not of equal value with bullion, but it was in addition to this cause of still lower value [than before],[56] compared with commodities, [than before][57] because bullion was also lower in comparative value. Now I have always understood that in the difference on the Bullion question Mr. Malthus took a

[52] Remainder of paragraph deleted by insertion of half-sheet; cf. foot-note 55, below.

[53] Replaces "then" in pencil.

[54] Replaces "on account of the"

[55] Inserted half-sheet, pasted over deleted section; cf. foot-note 52, above.

[56] Inserted.

[57] Deleted.

middle course, and ascribed the apparent fall in the value of paper [partly to a real fall in the value of paper and][56] partly to a [real][56] rise in the value of the medium (bullion) with which it was compared. He said, [in substance][58] that the merchants were partly right, [because][56] the difference between bullion and paper was owing [partly][56] to a rise of bullion—the bullionists were [also][56] partly right because the difference was also owing to the fall of paper; now, however, he tells us that the value of bullion fell in this country, and therefore that the bullionists hardly pushed their argument so far as it would go. How does he reconcile the opinion, given in this passage, to that expressed in Page 6 of [the same][59] work. "I have always thought that the late controversy on the bullion question presented a [single][57] signal instance of this kind of error. Each party being possessed of a theory which would account for an unfavourable exchange and an excess of the market above the mint price of bullion, adhered to that single view of the question, which it had been accustomed to consider as correct; and scarcely one writer seemed willing to admit of the operation of both theories." Now what were the two theories. Bullion has not varied said one party, and the variation in the price of gold has been owing to a fall of paper. Paper has not varied, said the other party and the variation in the price of gold has been owing to [60] the rise in the value of gold. The truth lies between said Mr. Malthus; yet he now maintains not only that gold had not risen, as some of the bullionists, I think erroneously, contended, but he contends that it actually fell.

[page] 172. "A fall in the value of money cannot indeed be peculiar to one country without the possession of peculiar advantages in exportation."

[56] Inserted.
[57] Deleted.
[58] Deleted, in pencil.
[59] Replaces "his."
[60] Remainder of paragraph recopied, to permit insertion of initial section of "note" to "page 172"; cf. note 61, page 74, below.

The passage continues "but with these advantages, which we know are very frequently possessed, and are very frequently increased by stimulants, a fall in the value of money can scarcely fail permanently to increase the power of cultivating poorer lands and of advancing rents."

[In this opinion I fully concur but does it not overturn Mr. Malthus' theory as explained in the last four pages? What advantages, in exportation, had England which she had not before, in the 20 years from 1793 to 1813 in consequence of being obliged to grow her own corn, that it is to that circumstance Mr. M. ascribes the partial fall in England of the value of money?][61]

In this opinion I partly concur, but it is necessary to understand what the nature of this peculiar advantage is. Competition at home will keep our commodities at the price at which we can afford to sell them, but that price may be much lower [particularly with respect to a few commodities][62] than foreigners can make them for, and therefore if they could not obtain them at our cheap prices, they would be willing to pay a [much][62] dearer price for them. The great facility of making cotton goods, which cannot perhaps be rivalled in other countries, would, but for our domestic competition, enable us to charge a higher price for them. We may be in possession too of very productive mines, and the metal we obtain from them, may be, from the same cause, sunk below the value which foreigners would readily, and willingly, give for it. What means then have we of charging a higher price for these peculiar commodities. One we have which is evident, and very certain in its effects. Government may [tax][63] lay a duty on the exportation of such commodities, which will not fail to raise their price to the foreign consumer, without any injury to the home manufacturer.

There is another method which is however doubtful in its

[61] Deleted, and the remainder of the "note," to "What is it in the case" (page 76, below) inserted.

[62] Inserted.

[63] Deleted.

effects, and it is to this to which Mr. Malthus refers. By restrictions on the importation of corn, it is said, great encouragement will be given to the importation of bullion, which will sink its value as compared with corn and labour, and will raise the price of all home made commodities. The natural price of all these commodities will be also raised, while no such rise will take place in the natural price of all foreign commodities;—on the contrary as bullion will be sent from foreign countries, and its value be raised, the natural price of the commodities of those countries will be lowered, and thus in all our foreign trade, which is always finally a trade of barter, we shall obtain more foreign commodities in exchange for a given quantity of ours. Now the justness of this argument depends upon this, whether a low value of money, as compared with corn and labour, peculiar to one country, is necessarily attended with a low value of money, compared with other commodities;—whether, in short, it will raise the natural price of our home made commodities, for it is only in that case that we can be benefited. Money, I think, cannot, from the cause which we are now discussing, be so lowered in value, relatively to our domestic commodities, unless our demand for the commodities of foreign countries is in some degree exhausted, and we therefore refuse to take any more of their commodities in exchange for ours, while they are willing to take more of ours in exchange for theirs. In that case money will be imported in unusual quantity, for it is the only condition on which foreigners can obtain the required quantity of English commodities, and they will consequently rise. At the same time corn and labour will have a further rise—they rose first on account of the increased difficulty of producing corn, and secondly on account of the increased quantity and low value of money. On these conditions it is undoubtedly true that by refusing to import so valuable a commodity as corn if its place cannot be supplied by other articles of foreign production, and we have peculiar facilities in the manufacturing of commodities in very general

demand the trade of barter, or foreign trade will be peculiarly favourable to England.

We shall sell our goods at a high money price, and buy foreign ones at a low money price,—but it may well be doubted whether this advantage will not be purchased at many times its value, for to obtain it we must be content with [a][64] diminished production of home commodities; with a high price of labour, and a low rate of profits.

Such a sacrifice is in every view unpardonable, if, as I have shewn, the same benefit can be obtained, without prohibiting the importation of foreign corn, by simply imposing a duty on the exportation of those commodities in the production of which we have either peculiar skill, or derive peculiar advantages from climate or situation.

We must not forget too that in imposing restrictions on the importation of corn it is doubtful whether the advantage is obtained at all, because [if][65] bullion will not as I said before be imported—will not sink in general value in this country, while we are disposed to accept foreign goods in payment for our domestic commodities.

The whole argument assumes too that we have commodities which would bear a high value in foreign trade, but are kept at a low value by the effects of domestic competition.

If then my statement is correct Mr. Malthus proposition is much too general, for money may be, and frequently is peculiarly low in value, compared with corn and labour, in one country, without being low compared with all other things; in which case [no][66] it would have no advantages whatever, to compensate it for a high value of corn and labour, in the exportation of other commodities.[67]. What is it in the case of the Eastern States of America which gives

[64] Inserted.
[65] Deleted.
[66] Deleted.
[67] Inserted section terminates here; cf. note 61, p. 74, above.

them the advantages ascribed to a partial fall in the value of money?

Is it because their corn is nearly as high as in Europe, and the wages of labour twice as high as in England? These are not circumstances peculiarly favorable to the exportation of the commodity they produce.

It is never the fall in the value of money, but a rise in the value of corn, which will occasion the cultivation of poorer land.

[page] 173. "If for instance"

Rent will increase whenever the margin between "the price of produce and the cost of the instruments of production increases." But this is all that is necessary. For instance, if produce rose in price, whilst wages and interest rose less, at a time of agricultural progress, then "it is evident that this difference might be increased, although the profits of agricultural stock were not only undiminished, but were to rise decidedly higher."

[This would be a common benefit][68] Here, two or 3 things must concur, which do not usually happen at the same time. We are to have improved modes of agriculture, which of course will increase the quantity of produce obtained with a given quantity of labour; and yet the labourer is to have less [produce][69] given him for wages. We are then to have increased quantity, [with a][69] diminished consumption, and a higher price—these are things which I do not know how to reconcile.

[page] 174. "In this case etc"

The great investment of capital in land "during the last twenty years" is ascribed to high profits, due to agricultural improvements and rising prices "followed only slowly by a proportionate rise in the materials of the farmer's capital." Thus, extension of cultivation and a rise of rents have taken place, although capital "has been dearer."

It must not be supposed from any thing I have said that I

[68] Deleted. [69] Inserted.

deny the possibility of rents being higher, tho' profits may not be lower, than at an antecedent period, when rents were lower. What I say is this, improvements in agriculture raise profits,—population increases, cultivation is extended, and rents rise—profits then fall, perhaps not so low as before [perhaps lower][70]; but profits are the fund from which all rent is derived. There is no rent which did not at one time constitute profits.

[page] 174. "But whenever by the operation etc. etc. rents naturally rise"

"Whenever . . . the instruments of production become cheaper, and the difference between the price of produce and the expenses of cultivation increases, rents naturally rise." Fresh and poorer land will only be cultivated when rents have risen, or conditions allow of a rise of rent on land already cultivated.

But by no means necessarily; the value of the surplus produce rises, and this may be added to profits. All other profits must increase at the same time.

[page] 175. "It is equally true"

"Without the same tendency to a rise of rents, it cannot answer to lay out fresh capital in the improvement of old land," at any rate if all land has already been furnished with "as much capital as can be laid out to advantage, according to the actual rate of profits."

In almost all that Mr. Malthus says in this, and the following pages, to the end of the section, I most fully concur. We should agree as to the final results, but we differ greatly in our opinions of the steps by which the final results are brought about.

[page] 178. "They are all indications of poverty and decline"

[70] Inserted.

Malthus now treats "Of the Causes which tend to lower Rents." These causes are thus enumerated: diminished capital, diminished population, a bad system of cultivation, and the low market price of raw produce. They are described as above, and are associated with "the throwing of inferior land out of cultivation and the continued deterioration of the land of a superior quality."

Not all. To allow the free importation of corn, would lower rents, but would be no indication of poverty and decline. Continued improvements [on the][71] in agriculture might throw lands out of cultivation for years, till the population could [come up to][72] with the increased means of providing for it. This would be no symptom of decline. The adoption of a cheaper food would throw land out of cultivation, without being necessarily accompanied with poverty, for the people might have a greater desire for articles of dress and furniture, and might expend what they saved in the article of food, on these enjoyments. This would not be poverty and decline.

[page] 179. "It may be stated in like manner"

Just as in the period 1794 to 1814, the rise in corn prices, "terminating in an alteration in the value of the precious metals," stimulated cultivation and caused a rise of rent, so "a fall in the price of corn terminating in a rise in the value of money, must . . . tend to throw land out of cultivation and lower rents. And this may be exemplified by what happened in this country at the conclusion of the war."

It is not necessary to repeat my objection to this theory. Of course I allow that if the fall was occasioned by the free admission of foreign corn, rents would fall; [but][73] this would not I think be an evil but a benefit. If the fall took place from a [rise][74] in the value of money it would affect everything alike, and is only injurious as it increases the weight of taxation. This however is not an unmixed evil—the stockholder gains what the other classes [lost][75], and he

[71] Deleted.
[72] Replaces "keep pace"
[73] Deleted.
[74] Replaces "fall."
[75] Replaces "use."

may if he pleases make as good use of it. Whether he will or no is matter of opinion. Why an alteration in the value of money should impoverish a state [I cannot clearly see],[73] or why it should throw land out of tillage, or diminish corn rents, [rents in][76] Mr. M.'s standard, I do not clearly see.

[page] 181. "In the natural progress of decline etc. etc"

Declining output and falling rents are not necessarily accompanied by a rise in costs. In a state of decline, profits "are necessarily low; because it is specifically the want of adequate returns which occasions this decline." High profits resulting from scanty capital, if much capital has been destroyed, accompanied by low prices of produce, may outweigh the advantages of low wages.

All just theory would lead to the very opposite conclusion. Labour would be cheap, because the population could not fail to be redundant. Produce would be dear [as compared with labour],[77] because with the diminished capital less would be produced [and the same number of men would be willing to work for it.][77] Rents would be low, because none but the best lands would be cultivated. What can be more favorable to high profits than low wages, low rents, and high prices?[80] Be it remembered too that they must be estimated in Mr. Malthus' medium labour, of which [they][78] [(the profit of capital)][79] would then have a great command.

[page] 182. "If the doctrine here laid down etc."

If M.'s argument as to the rise and fall of rents is true then "the doctrine which maintains that if the produce of agriculture were sold at such a price as to yield less neat surplus, agriculture would be equally productive to the general stock, must be very far from the truth."

[73] Deleted.
[76] Inserted.
[77] Inserted.
[78] Replaces "it."
[79] Deleted.
[80] Text confused; "and the whole produce of a value" inserted, apparently to follow "high profits," and subsequently deleted in pencil, as are also the last three words of the sentence ("and high prices")

[Who maintains that such an absurd doctrine][81] The society is interested in having a large neat surplus from the land—it is also interested in having this large neat surplus sold at a cheap price. If [corn be][82] sold at a low price it is a proof that profits are high on the land last taken into cultivation.

If sold at a high price it is equally clear that profits are comparatively [low],[83] and the high price is the means by which the consumer of corn provides a rent for the landlord. The landlord can not continue this—he cannot make the last land taken into cultivation comparatively poorer than his own, [and][84] therefore he is a passive instrument, but nevertheless it is owing to this circumstance that the transfer is made from the consumers pockets to the landlords. In proportion as the last land taken into cultivation is more productive, are the people better off. They [consume][85] are better off because they can purchase the same quantity of produce at a cheaper price,—[that is to say][86] with a less quantity [of][85] or with the produce of a less quantity of their labour. The capitalists are better off because in proportion as the people are cheaply fed will wages be lower. Low wages are another name for high profits.

[page] 182. "With regard to my own conviction"

Namely, that if a rich and improved nation attempted to lower prices of produce by law, under the impression that high prices hurt consumers as much as they benefitted landlords, until no rent was anywhere paid "it would inevitably throw not only all the poor land, but all except the very best land, out of cultivation, and probably reduce its produce and population to less than one-tenth of their former amount."

[My conviction is the same.][87] How can Mr. M. give the

[81] Deleted.
[82] Inserted.
[83] Replaces "high."
[84] Replaces "and"
[85] Deleted.
[86] Inserted.
[87] Deleted.

interpretation [which][88] he does [give][88] to the word injurious. My meaning was, and so I am sure was that of the other gentlemen who used this word, that rent was not a clear gain to the nation—it is necessary to the actual supply of corn, but it is derived from [a][89] fund, which must diminish if that increases. [No benefit][87]

[page] 183. "Or to the cost of raising etc"

The price of corn must be equal to its cost of production on land of the poorest quality actually in use, together with the rent which that land would yield "in its natural state"; or price must correspond "to the cost of raising additional produce on old land, which additional produce yields only the usual returns of agricultural stock with little or no rent."

Why little? No rent would be paid for the additional capital employed on old land. Mr. M. refuses to admit, that any corn would be raised, in which rent did not enter as a component part. If he is correct in saying that a little rent would be paid for [the last portion of][90] capital employed on the old land, he is right—if no rent would be paid for it he must confess his error. I wish therefore he had given his reason for supposing that any rent would be paid for capital so employed.

Mr. Malthus appears to me to give up the question in the next paragraph for he says "it will always answer to any farmer who can command capital, to lay it out on his land, if the additional produce resulting from it will fully repay the profits of his stock, although it yields nothing to his landlord." There may then be some additional produce which yields no rent to the landlord. [In examining the principles of][90] taxation [is concerned][91] this doctrine is most important, [and indeed is material to every part of the science of Political Economy].[90]

[87] Deleted.
[88] Inserted.
[89] Replaces "another"
[90] Inserted.
[91] Deleted.

[page] 184. "Owing to this part etc."

Corn is sold at a price necessary for the production of the whole quantity raised, although by far the "largest part is sold at a price very much above that which is necessary to its production, owing to this part being produced at less expense, while its exchangeable value remains undiminished."

It should be "produced at the same expense while its exchangeable value considerably increases."

[page] 184. "The difference between the price of corn etc."

If the price of manufactures be "essentially depressed, the whole manufacture would be entirely destroyed; whereas if the price of corn were essentially depressed, the *quantity* of it only would be diminished."

This and the observations in the next two pages are excellent.

[page] 187. "In these cases it is obvious"

If all land were equally fertile and all had been taken into cultivation, wages and profits would both fall to the point at which any further fall would diminish actual capital and actual population, whilst rents would be high. If the use to which capital could be put on land were limited, capital and labour could still continue in increasing use in other employments, "till they both came to a stand, and rents had reached the limits prescribed by the powers of the soil, and the habits of the people."

Rents would in this case be regulated by the different products of capital on the same land. With a rise [in the price][92] of produce it would be advantageous to employ some more capital on the land [even][93] with a less return than the capital before employed—this would be limited by the demand for corn, and the most favorable situation would naturally be chosen; I do not see then how my inference has been too large particularly if it be remembered that I have uniformly contended that one of the main causes of rent is the

[92] Inserted. [93] Deleted.

employment of an additional capital on the old land, without as large a return, as from the capital before employed.

[page] 188. "In the progress of cultivation"

As the margin of cultivation falls, "the rate of *profits* must be limited in amount by the powers of the soil last cultivated." But it is wrong to infer from this "that when land is successively thrown out of cultivation, the rate of profits will be high in proportion to the superior natural fertility of the land which will then be the least fertile in cultivation."

Mr. Malthus is mistaken, he has not correctly represented the inference. It has been inferred that profits will be high in proportion to the produce obtained by that portion of capital which the cultivator will think it his interest to employ, either on the new land, for which no rent is paid, or on old land, if the additional capital be employed only with a view of profits, and this inference is rigidly true only on the supposition that wages continue unaltered, for with an increased produce and a diminished rent, or a diminished produce and increased rent, a greater or less proportion of the whole may be paid for wages, in which case though profits will rise or fall, they will not rise or fall exactly in proportion to the increased or diminished produce.

[page] 188. "If land yielded no rent"

The inference just mentioned would only be justified if "land yielded no rent whatever in its natural state, whether it were poor or fertile, and if the relative prices of capital and produce remained the same . . . the whole produce being divided between profits and wages."

But what does Mr. Malthus say to capital withdrawn from land which yet remains in cultivation and for which no rent is paid. By withdrawing this capital will not another capital come under the same condition of not affording a rent although it yields larger returns? On Mr. Malthus' own shewing if rent falls, and the land be equally productive,

either profits or wages must rise. If this be not true what becomes of the difference between a high and a low rent? Who gets it?

[page] 189. "If to this circumstance etc etc"

The assumptions just alluded to are not present in reality, because in civilized countries land always does pay a rent "in proportion to its natural power of feeding cattle or growing wood." When land is thrown out of cultivation because cheap corn is imported, a moderate pasture rent may still be got. Thus the state of (marginal) land and its fertility do not regulate the rate of profits on it. If the effect of a rise in the value of money "and the probable fall of corn more than of working cattle" be further taken into account, "richer land may not yield superior profits."

[Suppose wages to continue the same and rent to fall profits must depend on the value of the produce.][94] The supposition was that in consequence of importing corn rents fell, and that at any rate the last land in tillage would be more productive, and less rent would be paid for it. Thus much even Mr. Malthus allows. What then can he mean by "the higher rent paid for the last land employed in tillage counterbalancing, or even more than counterbalancing the difference of natural fertility?" Does he mean that if importation [of corn][95] were freely allowed, although the last land employed in tillage would be more productive, yet greater profits would not be obtained from it because [the same][94] a greater rent would be paid than before for it? If he means this he must contend that the more free the [trade of][96] importation of corn the higher would rents be.

What can the [rise][97] in the value of money have to do with this question? What should make it rise? and if it did rise how could that circumstance affect the rate of profit? The simple question is this, with a given expenditure of capital and labour a greater quantity of corn is obtained. Of this greater quantity the farmer retains a larger proportion

[94] Deleted.
[95] Inserted.
[96] Deleted.
[97] Replaces "rise or fall."

because a less proportion [(and indeed a less quantity)][98] is paid to his landlord for rent. It is therefore true that although he may sell his corn at a cheaper price he may [still][98] obtain greater profits.

But the rate of his profit "must obviously conform itself to the general rate of profits. If the prices of manufactured and mercantile commodities were to remain the same notwithstanding the fall of labour, profits would certainly be raised; but they would not remain the same, as was shewn in the preceding chapter." Where shewn in the preceding chapter? Observe the argument of Mr. Malthus, and the proposition with which he sets out. "It has been inferred" he says "that when land is successively thrown out of cultivation, the rate of profits will be high in proportion to the superior natural fertility of the land which will then be the least fertile in cultivation." *

This is [an incorrect][99] inference says Mr. Malthus. Why? because though rent may fall in consequence of the importation of cheaper corn from other countries, it will not be attended with a loss of the whole rent even on those lands which are the poorest employed in tillage.

Suppose we grant this to Mr. Malthus, yet his admission that rent will fall, altho nor wholly annihilated on any land whatever, fully makes out the proposition. But Mr. Malthus grants a great deal more than this; he says, not only do I admit that rent will fall, but I think labour will fall, and yet I contend that [the farmer's][100] profits will not rise—[I do more, I maintain they would positively fall][1] because they must conform to general profits, and with a low price of labour, other commodities must fall and therefore the profits

* This inference has been made only in the case of wages not absorbing by their rise the whole additional quantity of produce obtained by the farmer.

[98] Inserted.
[99] Replaces "a wrong."
[100] Inserted.
[1] Deleted.

on capital employed in their manufacture [would not rise].[2] With a given capital it is admitted that a greater quantity of raw produce will be obtained, that this quantity must be divided between the landlord, the farmer, and the labourer. The landlord it is acknowledged will get less, the labourer it is said will get no more and yet the farmer will have no greater value. By what is it that Mr. Malthus estimates value? If he says by that measure which he holds to be the correct one, "the command of labour," he is evidently maintaining a contradiction, for he says that [the][1] labourers will work for the same quantity of corn as before, and yet he who has more to bestow on them has no greater value. If he says that his measure of value is [the power][1] "other goods," and that a man has not a greater value, unless he has the power of commanding a greater quantity of those goods, he is still maintaining contradictory propositions. If [3] the farmer cannot command more goods with his additional quantity of corn, then goods have not fallen in value in consequence of the fall in the value of labour, and [one of the conditions of the proposition is gone,][4] the profits of the manufacturers of those goods will be higher than before—they will obtain as great a value for their goods in each others commodities [and in corn][4] as [before][4] they did previously to the importation of corn, while the [value of the][5] labour which they employ to obtain them will be [of][4] less [value],[4] and this it is which constitutes high profits. If Mr. Malthus says that corn will fall so much that the farmer will get no additional profits, then [he must admit that][5] his profits will not conform to the general rate of profits, because the fall of corn and labour, compared with commodities, is the same thing with him as a high value of commodities, and therefore he gives up his proposition of a fall in the value of commodi-

[1] Deleted.
[2] Replaces "must also fall."
[3] Remainder of paragraph revised and ultimately deleted.
[4] Deleted.
[5] Inserted.

ties and he establishes the necessity of high profits on manufactured goods. "But the rate of returns (from agriculture) must obviously conform itself to the general rate of profits," and therefore profits on agriculture will also be high.

For [9] one part of his argument requires him to maintain that the [farmer][5] will have the power of commanding a greater quantity of other goods; and another that he will not have the power [of commanding so great a quantity as before.] If the farmer can command more goods, [then][4] and goods are the measure of value, then he has a greater value, and his profits will be increased, and the inference Mr. Malthus attacks is a correct one. If he cannot command more goods in consequence of the very low price of his corn then the manufacturers goods do not fall but rise, and as labour is low general profits will be high. The manufacturers profits can be no otherwise than high if he can [exchange][6] his goods for the same quantity of all other commodities, and for a greater quantity of [all other][4] raw produce, and [if][5] at the same time he pays lower wages of labour, in consequence of the fall of the price of corn. To me it appears [clear][5] that the price of corn will fall, but [that][5] the fall will be more than compensated to the farmer, by the increase of quantity, and thus his profits will be increased. The profits of the manufacturer will be also augmented, because he will sell his goods at the same price while in consequence of the fall in the price of corn, he will be at less expense in producing them.

Mr. Malthus cannot be allowed to say that corn and manufactured goods would fall as compared with money, because first he gives no reason for such fall, and secondly if he could establish it to everybody's satisfaction it would only prove that money had risen in value and affected every commodity

[9] Remainder of "note" inserted in place of deleted sentences (cf. note 3, above).

[4] Deleted.

[5] Inserted.

[6] Replaces "sell."

[7] Replaces "discovery"

alike, which would have no influence whatever on the rate of profits. Its affects would be precisely similar to those which would follow from the [loss][4] of some of the rich mines of the precious metals, or from the [recovery][8] of a paper money from a great degree of depreciation.

[page] 190. "It should be added"

If the marginal land taken into cultivation is "rich," then that is a sign, given regular progress and "a natural state of things," that "capital is scarce, and profits will then certainly be high;" but no such inference can be drawn when land is merely thrown out of cultivation through corn being imported cheaply. On the contrary, then, "capital may be abundant" and profits low. This distinction is of "the greatest practical importance" and was quite overlooked by Ricardo.

No point is more satisfactorily made out to my [satisfaction][10] than that high profits have a most intimate connection with the low value of food,—for [a][11] low value of food has the greatest influence on the wages of labour, and low wages cannot fail to make high profits.

Suppose I [was][12] a manufacturer of cloth, and [that][13] I made 100 pieces pr. ann., and that food was so high compared with cloth, that it was necessary for me to give 60 pieces to my workmen, to enable them to purchase necessaries; 40 pieces would remain for me. Now suppose the comparative price of food to fall, and that 50 pieces would purchase the necessaries required by my men, would not my portion be increased 10 pieces?

But your 50 pieces of cloth may fall in value, and sell for no more than 40 did before!—this cannot be true with regard to corn and labour, because by the supposition they have fallen in value, and are low compared with cloth; therefore if I wanted to employ labour of any kind with my 50 pieces of cloth, they would go considerably further than even 50

[8] Replaces "depreciation"
[10] Replaces "mind."
[11] Inserted.
[12] Replaces "had."
[13] Replaces "had."

pieces went before. But they will not fall relatively to any other commodity; for the shoemaker, out of a hundred pair of shoes, will retain 50 instead of 40, the brewer out of a hundred barrels of beer, will do the same thing, and so will every other trade. The cause that operates on one, operates on all; how then can it be said that the relative values of commodities will be affected? But it may be said that though corn falls relatively to all these things, wages will not fall; this is still better, because without lowering profits, the happiness of the most numerous and therefore the most important part of the people will greatly increase.

[page] 193. "A difference in the value of the precious metals, in different countries under different circumstances"

Malthus emphasizes the importance of "an inquiry into the causes which affect the price of corn and occasion the differences in this price so observable in different countries." He asserts that two causes are mainly responsible, of which the above is the first.

Nothing seems to me so unimportant as this cause. The value of money cannot alter, without affecting, in the same degree, [the prices of][14] all things; and provided we have the same quantity of all commodities, and that they bear the same relative value to each other, what can it signify what the value of money is?

[page] 193. "A difference in the quantity of labour and capital necessary to produce corn."

This is the second of the two causes assigned by Malthus responsible for variations in the price of corn.

I agree with Mr. Malthus in these two causes of the high price of corn, but while I deem the first unimportant, I attach the greatest consequence to the second;—the [most][15] abundance of the most important commodity of all others, depends

[14] Inserted. [15] Deleted.

upon the judicious application of labour and capital to its production—my enquiry then is, in what way can we bestow these most judiciously in order to obtain an abundant supply of this chief necessary of life? and [then][15] if I find that a given quantity of capital and labour will procure [by means of barter][16] a greater quantity of corn from abroad, when applied to manufacturers,[17] than when applied to our own land, I decide in favor of that mode of obtaining it; and on the contrary, if labour and capital can be made more productive when directly applied to our own land, I am equally strenuous that no obstacle should be opposed to such an application of it. I am happy to say that I agree with Mr. Malthus in everything he says in the remainder of this section.

[page] 199. "In the progress of a country"

In progressive countries "the positive wealth" of the landlord ought to increase, though his position relative to that of the capitalists will probably decline.

I think the landlords relative condition to the capitalists will gradually improve with the progress of a country, although his rent will certainly not increase in the proportion of the gross produce.

[page] 201. "There is no just reason to believe etc"

The passage continues "that if the landlords were to give the whole of their rents to their tenants, corn would be more plentiful and cheaper." The only effect would be to turn tenants into gentlemen, employing "careless and uninterested bailiffs," instead of looking after their affairs themselves.

This is my opinion, but ought not to be that of Mr. Malthus; who contends that rent enters for something into the price of all corn. However little it might be on the corn

[15] Deleted.
[16] Inserted.
[17] Revised so as to read: "a given quantity of capital and labour, when applied to manufactures, will procure" etc.

last raised; to that degree would corn fall, if all rent were given up.

From what Mr. Malthus says here, and in another place, one would think that he admitted there was some corn always sold, in [the][18] price [of which][19] no charge for rent entered;—but he more often insists on the contrary.

[page] 204. "They are in consequence more frequently" etc.

Though not all taxes fall on the landlords "yet it is certainly true that they have little power of relieving themselves. It is also true that they possess a fund more disposable, and better adapted for taxation than any other. They are in consequence more frequently taxed both directly and indirectly." Insofar as they pay the taxes on the farmer's capital and the labourer's pay, their share of the net produce will fall.

Mr. Malthus would find it difficult to prove this. What taxes on the [capital][20] of the farmer do they pay?

[page] 205. "Yet it has been said"

. . . "by Mr. Ricardo that the interest of the landlord is always opposed to that of the consumer and the manufacturer," * that is to all the other orders of the state.

I have answered this [21] to which I refer the reader. I will only observe here that Mr. Malthus must recollect the qualification which I give to the opinion which he has quoted from my work—I have said that it is only the immediate interest of the landlord which is at variance with improvements in agriculture, and the reduction in the cost of production of corn. Inasmuch as the power of the land, as a machine, is improved, the landlord will be benefited when it is again called into action, and that it infallibly will be after the population has increased in proportion to the increased facility of producing food.

* Principles of Political Economy (ed. 1819), p. 423.

[18] Replaces "whose"
[19] Inserted.
[20] Replaces "profits."
[21] Cf. page 50, above.

[page] 206. "But it is of no sort of use"

Rent could not arise where "land of the greatest fertility were in such excessive plenty compared with the population, that every man might help himself to as much as wanted." Rents would also fall if all land became suddenly so fertile that the existing population could be sustained on one-tenth of the former area. But "it is of no sort of use" to dwell on such suppositions, what we desire to know is, given actual conditions, whether "the interests of the landlord are generally opposed to those of the society."

A principle is either true or false—if true it is as applicable to a limited society as to a large one,—[to a small][22] It is my opinion that rent is never derived from any other source than from the fund which once formed profit, and therefore that every improvement, every reduction in cost of production, whether they be great, or small, either go to wages, or profit, and never to rent. After constituting profits, they may be, in the further progress of society, [be][22] transferred to rent.

[page] 209.[23] "Consequently these rents etc etc"

Though a recourse to poorer soils has increased rents yet this increase "is very much more limited than has been supposed"; a "much more powerful source of increasing rents" being agricultural improvements. The rise in profits and the (practically) stable earnings of labour show that "these rents must have been a creation from the skill and capital employed upon the land, and not a transfer from profits and wages as they existed nearly a hundred years ago," for rents have been rising for a century.

Who said that the present rents were a transfer from profits and wages, as they existed nearly a century ago?—they may be [a][24] transfer from profits of 10, 5 or 3 years ago. The question is, are they a transfer from profits? There is much in this section in which I agree, but it appears to me that Mr. Malthus endeavors to magnify the difference between us.

[22] Deleted.
[23] Should be "208."
[24] Inserted.

[page] 211. "Mr. Ricardo etc."

The passage continues, "takes only one simple and confined view of the progress of rent. He considers it as occasioned solely by the increase of price, arising from the increased difficulty of production."

I do not think that a fair construction of what I have written will justify this charge.

[page] 213. "In reference to this statement etc"

Malthus attacks Ricardo's thesis that "it is not by the absolute quantity of produce obtained by either class, that we can correctly judge of the rate of profit, rent, and wages, but by the quantity of labour required to obtain that produce." If when improvements in machinery and agriculture double output all the shares are not doubled, so that rent and wages got a smaller proportion than before, "it would, I apprehend be correct for me to say, that rent and wages had fallen while profits had risen. For if we had an invariable standard by which to measure the value of this produce, we should find a less value had fallen" to labourers and landlords, and a greater to capitalists. Malthus comments on all this that "if the application of Mr. Ricardo's invariable standard of value naturally leads to the use of such language, the sooner the standard is got rid of, the better, as in an inquiry into the nature and causes of the wealth of nations, it must necessarily occasion perpetual confusion and error."

It is odd enough that Mr. Malthus most frequently uses this very standard which he thus reprobates;—he invariably speaks of the fall of rents, rise of profits, and rise of wages: meaning a fall or rise in money [rents, profits and wages, which money][25] of course he supposes not to have varied. Now if the quantity of corn produced by a given quantity of labour were doubled, [it would][26] (a very extravagant supposition), its price would fall to one half, and consequently the money rent of the landlord would fall, unless he had double the quantity; [and][26] the profits of the capitalist would be reduced, unless he had also double; and so would the wages of the labourer, if he had a less proportion [than double also.][27] That the labourers wages would be reduced

[25] Replaces "which." [26] Deleted. [27] Inserted.

in money value I can have no doubt, and the chief advantages to the capitalist arise from that circumstance.

But the landlord can with his double produce command more labour than before. So he can,—but is labour the only things he wants? can he command with his double quantity of corn more iron, copper, gold, tea, sugar, hats, coaches, silks, wine, and every other commodity? Not the least particle more. Am I not then justified in saying that he receives no greater value, though he may receive double the quantity? "In applying this language to our own country, [says Mr. M.][27] we must say that rents have fallen considerably during the last forty years, because though rents have greatly increased in exchangeable value,—in the command of money, corn, labour and manufactures.—[28]

It appears, by the returns to the Board of Agriculture, that they are now only a fifth of the gross produce, whereas they were formerly a fourth or a third." Mr. Malthus has [either][29] not read what I have said [on this subject][27] with his usual attention [or he could not suppose that I was of opinion that the landlords rent increased in proportion to the gross produce].[30] If with a certain capital 180 qts. of corn are raised and the landlord obtains 10 qts. for rent, I say [he will][29] if the quantity obtained with the same capital be increased to 360 qts. he will not have a rent of the same value unless he have 20 qts. or one eighteenth as before [because 20 qts. will be no more value in exchange than 10 were before].[27] If with a second capital [only][27] 340 qts. be raised, which is the reason of his obtaining 20 qts as rent, I do not say he is to have an eighteenth part of the 340 qts. also, [and of all the produce which can be employed on the land with such a rate of return],[31] and of the 320 which may

[27] Inserted.

[28] Following paragraph (to "demanded," page 96, line 3) deleted, after revision, and replaced and continued by next succeeding paragraph, as indicated (page 96, note 33).

[29] Deleted.

[30] Replaces "has not interpreted me with his usual candour."

[31] Inserted.

be the produce of 20 qts. for I know he will not, I only affirm that if he have not he will have a less value than he had before. In the progress of population as corn is demanded [32]

It [33] appears by the returns to the Board of Agriculture, that they are now only a fifth of the gross produce, whereas they were formerly a [fourth or a][31] third. Mr. Malthus Mr. Malthus[34] has not read what I have said on this subject with his usual attention, [or][35] in the first place, he would not have said that my language " requires us to say, that the rents of the landlord have fallen, and his interests have suffered, when he obtains as rent above three fourths more of raw produce than before." If I estimated the riches of individuals, by the value of their incomes—there would be some foundation for the charge, but I have taken great pains to explain my views, and to shew that I think it quite consistent to say that the riches of a man have increased, [viz.][31] the quantity of the conveniences and necessaries of life, which he can command at the same time that the value of those riches [may][31] have fallen.

Besides, I have never maintained that in order to give the landlords rents of the same value, they must always bear the same proportion to the value of the gross produce obtained from the land, as the argument from the returns of the Board of Agriculture would imply. I do not say that rents have fallen *in value,* because they were formerly a fourth or a third of the gross produce, and are now only one fifth. I have a farm from which I obtain 360 qrs. of corn, and I pay one fourth for rent, or 90 qrs. By employing more capital on inferior land, instead of 360 qrs. being obtained with the same quantity of labour, only 340 [can][36] be got, and therefore the rent of the land on which 360 were obtained, would

[31] Inserted.
[32] End of deleted section (cf. page 95, note 28).
[33] Replacing and continuing deleted section.
[34] *Sic.*
[35] Replaces " else."
[36] Replaces " may."

rise from 90 to 110 qrs.; the rent on that particular farm would be a greater proportion of the gross produce than before, but it by no means follows that it would be a greater proportion of the whole gross produce of the country; for instead of one capital being employed to obtain 340 qrs. one hundred equal capitals may be so employed. It is possible then that the gross produce may be increased 34,000 quarters, and rent rise only 20 qrs. Because the landlord had one fourth of the gross produce, and has increased that proportion on all lands before cultivated, does it follow that I am bound to maintain that rents are also a larger proportion of the whole gross produce from all the lands in the country?

[page] 214. "In reference to labour, we must say it is low in America etc"

The use of Ricardo's invariable standard would land us in the absurdity of saying that rents have fallen, because though they have risen "in exchangeable value" they were "only a fifth of the gross produce whereas they were formerly a fourth or a third": whilst it require us to consider "labour" as "low in America, although we have been hitherto in the habit of considering it as very high, both in money value and in the command of the necessaries and conveniences of life," whilst in Sweden "we must call it high."

To obtain 180 quarters of corn in England worth £700 [on the land last cultivated][37]—I may require the labour of 20 men for a year at 10/ a week altogether £520 per ann. To obtain the same quantity in America [the labor][38] where it might sell for £600, might require only the labour of 15 men, wages might in American be also 10/ pr. week, but the farmer in England would pay £520 pr. ann. for wages, and the farmer in American only £390—In one country [England][38] the proportion of the whole produce paid to the labourers is 743/1000.—In the other America it is 650/1000. Tho' the money wages to each individual is the same, the aggregate of wages paid is greatest in England, and so also is

[37] Inserted. [38] Deleted.

the proportion of the produce. Apply the same statement to Sweden and it will be found quite consistent with my principle.

It [39] is according to the division of the produce of any given capital between the 3 classes that we are to judge of rent, profit, and wages. Suppose on a given farm with a given capital 100 qrs. of corn are raised and that the landlord receives one fourth or 25 qrs.
the farmer one half 50
and the labourers one fourth 25

100

and that next year, owing to new lands being taken into cultivation elsewhere, these 100 qrs. are differently divided and the landlords received one third....33
the farmer....

[page] 216. "But in fact, etc. etc."

It is "by real value in exchange, and not by an imaginary standard, which is to measure *proportions* or cost in labour, that the rents and interests of landlords will be estimated." In this sense, improvements would raise rents, "while they might fall according to the new mode of estimating them adopted by Mr. Ricardo." But, "improvements in agriculture tend, in a moderate time, even according to the concessions of Mr. Ricardo, to increase the *proportion* of the whole produce which falls to the landlord's share; so that in any way we can view the subject, we must allow that independently of the question of importations, the interest of the landlord is strictly and necessarily connected with that of the state."

After saying so often as Mr. Malthus has done, that I have represented improvements in agriculture, as hurtful to the interests of the landlord, and [that] [40] on this opinion I have grounded my assertion that the interests of landlords are opposed to those of the other classes of society, he here [admits] [41] states that I have admitted that improvements in

[39] Remainder of "note" deleted.
[40] Inserted.
[41] Deleted.

agriculture tend, *in a moderate time,* to increase the *proportion* of the whole produce which falls to the landlord's share. Why then have I been charged with holding a different doctrine?

Mr.[42] Malthus as I before observed does not appear to understand what I have said about proportions and it is important that I should not be misunderstood on that subject. Suppose I employ 3 equal quantities of capital successively on the same land and the prices rises. I say when the second quantity is applied, the proportion [paid to the landlord][43] of the quantity obtained by the first will be increased—he will have no portion whatever of the second. When the third quantity of capital is applied he will get a still larger proportion of the quantity obtained by the first capital, a small proportion of the quantity obtained by the second, and no portion of the third. Though the proportion of each quantity before obtained will be increased, the proportion of the whole quantity obtained allotted to the landlord will be diminished. Suppose the quantity obtained by the 1st capital were 1800 qrs. by the second 1780 and by the third 1760. When the 2d capital was employed he would have 20 qrs. as rent or 1/90 of the quantity obtained by the first capital, but this would be only [1/179][44] of the whole. When the 3d capital was employed he would get 40 qrs. on No. 1 or one 1/9,[45] and 20 qrs. of No. 2 or 1/17.[45]

[page] 216. "Mr. Ricardo has himself expressly stated"

. . . "that whatever sum the produce of land sells for above the costs of cultivating it, is money rent." But, adds Malthus, variations in money rent or real rent are not regulated by fluctuations in the proportion of the landlord's share to the whole produce.

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[42] This entire paragraph deleted.
[43] Inserted.
[44] Replaces "1/358."
[45] *Sic.*

It is very probable that my language about proportions may not have been so clear as it ought to have been. I will endeavor now to explain it.

[Suppose][46] the last land [now][47] in cultivation yields 180 qrs. of corn with the employment of a given quantity of labour, and in consequence of the rise of [the][47] price [of corn][47] a still inferior quantity of land [shall be][48] cultivated [next year][47] which shall yield only 170 qrs. If this year the labourer shall have one third of the 180 quarters, and [next][49] year he shall have one third of the 170 quarters, I say his wages will be of the same value next year, as this, because the whole 170 quarters [next year][47] will be of the same value as the 180 quarters [are this][51] year, and consequently $\frac{1}{2}$, a fourth, or a third [will][52] of either of these quantities will be also of the same value.

When I speak of this division by proportion I always apply it, or ought to apply it, ([and][53] if I have done otherwise, it has been from inadvertence), to the produce [of][52] obtained with the last capital employed on the land, and for which no rent is paid. Now in fact the labourer will get a larger proportion of the 170 qrs. than he got of the 180 qrs., he will get a larger proportion of this equal value, and therefore it is that I say his wages have risen. Whatever may be the quantity [of corn][54] obtained by the last capital employed on the land, it will be of the same value, because it is the produce of the same quantity of labour. A larger proportion of this equal value must itself be a larger value.

[Rent is not a proportion of the produce obtained—it is not governed like wages or profits by proportions—depending as it does on the difference between the quantity of produce obtained by two equal capitals. If therefore I have anywhere said that rent rises or falls in the proportion that the produce

[46] Replaces "if."
[47] Inserted.
[48] Replaces "is."
[49] Replaces "last."
[51] Replaces "last."
[52] Deleted.
[53] Replaces "for."
[54] Inserted.

obtained is increased or diminished I have committed an error. I am not however conscious of having so done.][50]

My measure of value is quantity of labour—rent rises only when the sum paid requires more labour to produce it. Ten men on the fertile land can produce 180 qrs.—on land less fertile only 170—if the [10][54] labourers then receive one half [of the latter quantity][54] or 85 quarters, they receive what 5 men's labour can produce; the 10 men producing the 180 quarters receive no more; but 65 quarters on that land is produced with less labour, than that of 5 men. [True, but the value of corn][55] is regulated by the quantity [last][56] produced; [with the capital least advantageously, and last employed on the land][57]; the advantage possessed by the holder of the better land, partakes of the nature of [a][58] monopoly, and therefore the value of the reward to the labourer must be measured not by the quantity of labour required to produce 85 quarters on the better land, but by the quantity required to produce it on the worse. Mr. Malthus says "[Improvements in agriculture tend][57] even according to the concessions of Mr. Ricardo to increase the *proportion* of the whole produce which falls to the landlord's share" I do not know where I have said this, but I wish to correct the passage if I have [fallen into this error][59] by substituting the word [used by Mr. Malthus][57] "portion" [for][60] *proportion,* or if the word proportion be retained, it must be the proportion of the produce [before][56] obtained on the more fertile lands.

[page] 217.[61] "Under the most unfavourable"

No one has ever asserted that free importation hurts landlords more than free importation of other commodities or of labourers

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[50] Deleted.
[54] Inserted.
[55] Replaces "But value."
[56] Deleted.
[57] Inserted.
[58] Replaces "the"
[59] Replaces "said so"
[60] Replaces "instead of"
[61] Deleted and recopied to permit addition; see following note.

would hurt manufacturers of competing products or other labourers. "Under the most unfavourable view, therefore, that we can take of the subject, the case of the landlord with regard to importation is not separated from that of the other classes of society."

There is this manifest and important difference. The individual interests of the manufacturer of woollen, silk, or linen goods, might be injured by foreign competition, and they might be obliged with a loss to remove their capitals to other branches of trade, but still they would have a capital, and a revenue, not much inferior to what they had before. The rent of the landlords of the inferior lands would cease altogether, and those of the landlords on the better lands, would be much reduced, if the utmost freedom were allowed to the importation of corn.

There [62] cannot be a greater mistake than to suppose there is any analogy between the interests of landlords, and those of manufacturers, as they are respectively affected by restrictions on the importation of raw produce, and restrictions on the importation of manufactured goods. Their interests rest on totally different grounds. A manufacturer never can, whatever may be the restriction on importation, get, for any length of time, more than the general and ordinary rate of profit on his capital, and therefore [he is only permanently] [63] if he could easily remove his capital from one trade to any other his loss would be inconsiderable from the removal of restrictions.

But to the landlord it is a question of rent or no rent—of the possession of a useful machine, or one of no use whatever. It is not the situations of the landlord and manufacturer that are in the least analogous, but the situation of the farmer and manufacturer. In their cases indeed the analogy holds good.

[page] 221. "Let us suppose etc.—"

[62] Remainder inserted. [63] Deleted.

The system of tenant farming results in lack of identity between the interests of society and of the individual. The rate of profits to the individual must be the same in manufactures and in agriculture, but the condition of such equality must be a higher real rate of return from land, for part of the investment in farming cannot be recovered by the individual tenant; ". . . these higher annual returns, which are necessary to the farmer with a temporary tenure to give him the common profits of stock, are continued, in part at least, in the shape of rent at the end of the lease, and must be so much gained by the state." The sentence cited is on page 220.

Mr. Malthus is here a little inconsistent with himself. He estimates the advantage to the state by money value, and will not employ, as he ought to do, on this occasion, his own measure of value, corn and labour. Suppose Mr. Malthus could demonstrate, which he cannot do, that we have made the same money profits by employing a given capital at home in agriculture as we should have done [with the same capital][64] if importation had been freely allowed. I might answer him; "if importation had been [permitted][65] and you had allowed corn to be cheap; with the same money capital I could have employed much more labour—I could also have done the same with the same money revenue, therefore by not permitting free importation you have deprived us of all the commodities which this additional quantity of labour could employ." Against this solid advantage Mr. Malthus puts the [permanent][66] improvements which tenants make to the lands they rent, and which they cannot again take away, as they become permanently fixed on the soil. It may be doubted whether the expectation of these trifling advantages are not always allowed for in agreeing for rent, and [whether they do not][66] really constitute a portion of the landlord's rent. Others can judge better than I can do of the value thus left on the lands by tenants at the expiration of their leases. I am not disposed to estimate [it][67] very highly. If the power of commanding labour be the measure of value, [we must][68]

[64] Inserted.
[65] Replaces 'allowed" [66] Inserted. [67] Replaces "them" [68] Deleted.

value must depend on the *quantity* of necessaries, and not on their money value.

[page] 221. "Sir John Sinclair, etc"

In illustration of this thesis, that the profits to the state from capital employed in agriculture is greater than the profit gained by the individual cultivator, Malthus quotes from Sir J. Sinclair's "Husbandry of Scotland" a case "of a farm in East Lothian, in which the rent is nearly half the produce; and the rent and profits together yield a return of fifty-six per cent. on the capital employed." The real measure of the "wealth derived by the country from the capital so employed" is the rent plus the profits and there is "little doubt that a considerable part of this increase of wealth has been derived from the capital of the tenant who held the farm previous to the renewal of the lease . . . ."

Does Mr. Malthus believe that the freest importation of corn would deprive us of any particle of the quantity which we now derive from that farm? As for the great rent upon it being derived from capital accumulated upon it by tenants, I cannot help being sceptical on this subject.

[page] 222. "If then during the war"

Had free importation of foreign corn been allowed, and agricultural profits been reduced to 10 per cent., manufacturing profits remaining at 12%, the inducement to individuals to invest in manufactures rather than in agriculture would have been in the proportion 12:10. But, from the standpoint of state-interests, instead of profits rising in this proportion, they would have fallen in the proportion of 14:12.

Here again the estimate is made of money profits, but I require that in both instances the money profits should be reduced into the power of commanding labour [and commodities].[69] I do not want to know what value we [could][69] have obtained in the two cases, but what riches we might have got,—what means of happiness to the commounty!

[page] 223. "And this in fact"

[69] Inserted.

The restrictions on the import of corn may therefore, "by forcibly raising the profits of domestic cultivation" have "decidedly and essentially promoted" the "progress of wealth and population." "And this, in fact, such restrictions not only may, but must do, whenever the demand for corn grown at home is such, that the profits of capitals employed on the new lands taken into cultivation joined to the rents which they generate, form together greater returns in proportion to the stock employed, than the returns of the capitals engaged in commerce and manufactures"; though the money price of foreign corn might be less, "it would not be purchased at so small an expense of capital and labour, which is the true proof of the advantageous employment of stock."

True if estimated in corn returns, and not in money returns. The only question of importance, in fact, is whether we could buy our corn at home or abroad at the least expense of capital and labour. [This Mr. Malthus thinks would not be the case][70] and we are to judge of this only by a comparison of the quantity we can import with a given capital and the quantity we can grow with an equal amount of capital. It is by quantity and not by money value that we must judge. We may make anything of a high money value, by rendering it scarce.

[page] 223. "If restrictions upon importation etc"

Refers to footnote to the paragraph just quoted. The footnote admits that "if restrictions upon importation necessarily increased the quantity of labour and capital required to obtain corn, they could not of course be defended for a moment, with a view to wealth and productive power." But if they occasion "permanent improvements" such restrictions are in a different position. In any case "a great increase in the *proportion* of our manufacturing population" must be regarded "with no small alarm."

It is only because they do so, that they are attacked. Can any man doubt of their having this effect? Their policy on other grounds is a different question. I confess [on][71] those [other][71] grounds [the arguments in favour of restrictions][71] have very little solidity in my view of the subject.

[70] Deleted.

[71] Inserted.

[page] 223. "But if the progress of wealth etc."

If the restrictions of an importation have accelerated the "progress of wealth," "on account of the greater quantity of raw produce that has been purchased by a given quantity of capital and labour at home, than could have been purchased by the same quantity of capital and labour from abroad, it is quite obvious that the population must have been accelerated rather than retarded": a conclusion which is strongly confirmed by the growth of population in the "last ten or fifteen years of the war."

Grant this indeed, and the conclusion follows.

[page] 224. "The position here laid down."

The view that restrictions upon importation may be beneficial appears to be "rather startling." But the beneficial effect depends upon (a) "permaent improvements being made by a capital which has only a temporary interest in the fruits of such improvements," and (b) the restrictions "should have the effect of occasioning improvements which would otherwise not have taken place." But neither condition is always present.

To me it is very startling, and I believe wholly unfounded.

[page] 225. "I refer to exchangeable value and rate of profits, not to abundance of conveniences and luxuries"

When, however, permanent improvements are made, "and rent is created, it is impossible to resist the conclusion, that to such extent the interest of the state in the exchangeable value created by such capital, is decidedly greater than the interest of the individual." The remark quoted by Ricardo occurs in the footnote to this passage. The state benefits more, ultimately, than individuals do, in the case of "almost all improvements in machinery . . but not in reference to rate of profits and real value in exchange." Agricultural improvements are thus distinguished from other improvements in their effects.

If this be the case, if you [even][72] made out your proposition it ought to have no effect on our practice. We care little what the nominal exchangeable value of our goods may be, (and I should say, their real [exchangeable][73] value

[72] Inserted. [73] Deleted.

either;) what we are anxious about is to possess an abundance of conveniences and luxuries. If then every word you have said be true, we are for an unrestricted corn trade, if it is to give us a value [which will][73] no matter, whether high or low, which will give us an abundance of conveniences and luxuries.

But again I ask what is become of Mr. Malthus' measure of real value in exchange—we were told that it implied a certain quantity of necessaries and conveniences and that things rose and fell in exchangeable real value as they would sell for more or less of these conveniences and necessaries—then as it was supposed that a certain quantity of necessaries and conveniences would command always a certain quantity of labour—labour was selected as the measure of value;—this underwent another correction; as labour was acknowledged to be variable; [but][74] it was desirable to introduce another commodity, which it was alleged was also variable, but variable in another direction, and therefore [as][75] the variation of one would correct that of the other, [a][76] mean [between the two][75] would [it was said][75] give us an unvarying measure, accordingly the final measure of real value in exchange was settled to be a mean between corn and labour.

It must be confessed that it has not hitherto been often referred to, and in the present argument it appears to be given up altogether for we are told that exchangeable value is referred to, not abundance of conveniences and luxuries.*[77] We are quite at a loss to know what is here meant by exchangeable value. It cannot be corn and labour, for they are considered as I have just shewn, of exactly the same nature as conveniences and luxuries. I strongly suspect that the reprobated money value is meant, if so, Mr. Malthus must agree with me that there is a very marked distinction between

[73] Deleted. [74] Deleted. [75] Inserted.
[76] Replaces "the" [77] Sic.

value and riches. Value depends on the cost of production, riches on the abundance of productions.

[page] 227. "Now in referring to a gift of Providence"

The "surplus produce of the land" is "a gift of Providence" and its value must be spoken of "in relation to the laws and constitution of our nature and of the world in which we live." The "law of population" makes it "quite obvious that some limit to the production of food, or some other of the necessaries of life, must exist. . . . It is not easy to conceive a more disastrous present—one more likely to plunge the human race in irrecoverable misery, than an unlimited facility of producing food in a limited space." But, granted this, "then the value of the actual quantity of land which he has received, depends upon the small quantity of labour necessary to work it, compared with the number of persons which it will support: or, in other words, upon that specific surplus so much under-rated by Mr. Ricardo, which by the laws of nature terminates in rent."

I do not agree that in a treatise on Political Economy it should be so considered. The gift is great or little according as it is more or less not according as it may be more or less morally useful. It may be better for the health of my friend, that I should [give][78] restrict him to a pint of wine a day, but my gift is most valuable if I give him a bottle [a day].[78] The question is not whether the Creator did not consult our real happiness by limiting the productive powers of the land, but whether the fact be not, that He has so limited it,—while He has given us an unbounded supply of water, of air, [and has set no limits to the][79] the purpose of the use we may make of atmosphere, the elasticity of steam and many other [natural paid][80] services rendered to us by nature.

Mr. Malthus says I underrate the specific surplus which by the laws of nature terminate in rent. In the beginning of the very paragraph in which this observation occurs the charge brought against me is that I am not satisfied with the prolific power of the earth, because it is not boundless,

[78] Deleted. [79] Inserted. [80] Deleted.

as are many others of the gifts of nature, and the conclusion is that I underrate all prolific power in the earth. I complain in short of its not yielding enough [of][81] of what Mr. Malthus justly calls surplus produce, and at the same time I complain of its yielding more than is serviceable.

Against two such contrary accusations I cannot defend myself, [and][82] as I plead guilty only to one, I shall say little of the other. Here then once for all let me declare that I estimate as the source [from which we derive][83] all we possess the power which the earth has of yielding a surplus produce. In proportion to this power we enjoy leisure for study [and the obtaining of that knowledge which][84] gives dignity to life. Without it we could neither possess arts or manufactures, and our whole time would be devoted to the procuring food to support a miserable existence.

It is only because the prolific powers of land in other countries are greater than those on [which][79] we must draw for our last supplies, that I would have recourse to those lands, and would consent to import corn, because as less labour would be devoted to the obtaining of food, more might be employed in getting other gratifications.

With respect to the other point, I repeat confidently that rent is owing to the limit which nature has set to her present, and not to the unbounded extent of it. If there has been no limits to fertility, if one capital after another had been equally productive, of produce, no rent could have been generated. "But the earth could not contain the population that might have been born under such circumstances;"—I do not deny this—neither does the observation [refute][85] any of the statements I have made. Is my proposition true or not true? Not true says Mr. Malthus. Your proof? The present would be a disastrous present and the human race would be plunged in irrecoverable misery. Now I ask

[79] Inserted.
[81] Replaces "surplus"
[82] Replaces "but"
[83] Replaces "of."
[84] Replaces "and all that."
[85] Replaces "contest"(?).

whether this is an answer. If I murmured against Providence, and reproached Nature for a want of liberality, Mr. Malthus might have shewn my complaint to be unfounded, and unreasonable. But have I done this? Certainly not, I have only said that if she had not limited her present there would be no rent, and Mr. Malthus observation in answer is that it seems rather extraordinary that the very great benefit which society derives from that surplus produce of the land, which in the progress of society, falls mainly to the landlord, in the shape of rent, should not yet be fully understood and acknowledged. Now I humbly contend that he has not brought forward one fact, or one argument, to shew that I have either misunderstood it, or failed to acknowledge it.

[page] 229. "If manufactured commodities"

Malthus previously quotes Ricardo's statement that if other natural agents possessed differential qualities, the use of inferior qualities would raise the value of commodities in the production of which they were employed, "man would do more by the sweat of his brow, and nature perform less." Under such circumstances the increase of man's labour "would be in proportion to the greatness of the rent so created." But the surplus land "is totally different. Instead of being a measure of the increase of labour . . . it is finally an exact measure of the *relief* from labour in the production of food granted to him by a kind Providence."

True, but would not the same be the case if you diminished the fertility of the earth, and thereby increased rent? Would not the increase of his labour in that case also be in proportion to the greatness of the rent so created? But you may increase rent by increasing the fertility of the land, and so you may in the supposed case of machines by increasing their productive powers, and increasing the difference in those powers. "Rent is finally an exact measure of the relief from labour in the production of food, granted to him by Providence," Mr. Malthus may call it so if he pleases, but would not [the real][86] relief be greater—if the land were more

[86] Replaces "this"

fertile? Would not rent fall [down][87] as the present became more liberal. But is rent an exact measure of the relief from labour in the production of food? I deny it. The surplus produce is, but rent, and surplus produce, do not mean the same thing. The surplus produce in America, in proportion to the population, is greater than here. Is rent as high there? Mr. Malthus will not say it is. The surplus produce [in America][88] shews itself [chiefly][88] in profits [sometimes in high][89] wages, and contributes much more to the general prosperity in that form, than if [it][90] appeared in the form of rent.

[page] 230. "Mr. Ricardo could not but allow indeed he has allowed etc. etc"

Malthus asserts that Ricardo "has always, in treating of rent . . . referred almost entirely to temporary effects," whilst in general keeping his attention fixed on "permanent and final results." This explains why he objects to Adam Smith's assertion "that in rice countries a greater share of the produce would belong to the landlord than in corn countries, and that rents in this country would rise, if potatoes were to become the favourite vegetable food of the common people, instead of corn. Mr. Ricardo could not but allow, indeed he has allowed, that rents would be finally higher in both cases. But he immediately supposes that this change is put in execution at once, and refers to the temporary result of land being thrown out of cultivation."

And yet "that specific surplus is so much underrated by Mr. Ricardo which by the laws of nature terminate in rent."[91] Can these passages be consistent?

[page] 230. "Even on this supposition etc. etc."

Even supposing, in the case just examined, that land would be

[87] Deleted.
[88] Inserted.
[89] Inserted; "sometimes" subsequently deleted.
[90] Replaces "they"
[91] Malthus, p. 229. Ricardo questions the consistency of the first passage with the present one in which the value of land is said to depend on the proportion between the number of people which it will support and the quantity of labour necessary to work it, "or, in other words, upon that specific surplus etc."

thrown out of cultivation, "all the lands which had been thrown up, would be cultivated again in a very much less time, than it would take to reduce the price of labour, in a natural state of things, to the maintenance only of a stationary population." As Ricardo has mainly considered "permanent and final results" in his work, "he ought to have allowed the truth of Adam Smith's statements."

Does it take a very little time to reduce the price of labour "in a natural state of things," to the maintenance only of a stationary population?

[page] 231. "And in those parts of India" etc.

A change from corn to rice or potatoes would probably not even cause a temporary fall of rents. If such a change from corn to rice were possible in Europe at all, the change would be so gradual "as to give ample time for an increase of population fully equal to the increased quantity of food produced"; in rice-growing countries, "rents are known to be very high," and "in those parts of India . . . where an actual change has taken place from the cultivation of corn to the cultivation of rice, I have little doubt that rents have not only finally risen very considerably, but have risen even during the progress of the change."

That is to say the surplus produce has risen very considerably, and the government has seized upon it — this is [very][92] different from rent rising. If[93] the taxes were remitted would not the price of produce fall? If you say it would the tax not only takes all the rent but also a part of the profits, which is repaid by the consumer in the advanced price, of produce.

[page] 232. "At first the advantage will go to profit, afterwards to rent—[The time when it will do so][94] depends on the increase of population, and the [consequent][95] demand for the increased raw produce that can be yielded.

The above is Ricardo's "note," instead of, as ordinarily, a sentence from Malthus' text. But it clearly refers to Malthus' argument

[92] Inserted.
[93] Remainder inserted.
[94] Replaces "it."
[95] Inserted.

(p. 232) as to Ireland, where the introduction of the potato has enabled population to quadruple; this increased population again has prevented land from being thrown out of cultivation, at the same time that it has caused a great fall in the "comparative money wages of labour." This fall has not been accompanied "by a proportionate rise of profits, and the consequence is a considerable rise of rents." Irish wheat, oats and cattle are sold at English prices in England, though produced by labour paid half the English wage, "a state of things which must greatly increase either the revenue derived from profits or the revenue derived from rents," experience showing that rents have gained most.

[page] 233.[96] "And I am convinced etc."

Comparing like with like, i. e. countries of similar extent and similar quantities of capital employed in agriculture, "we shall find that rent will be in proportion to the natural and acquired fertility of the soil."

Mr. Malthus often refers me to South America, [to any one else it][97] to shew me that some of my results do not agree with facts, [to any one else][97] it would hardly be fair to refer [any one else][98] to that country to shew that with a most fertile soil rents are low.

[page] 233. "If the natural fertility"

"If the natural fertility of this island had been double what it is, and the people had been equally industrious and enterprising, the country would, according to all just theory, have been at this time doubly rich and populous, and the rents of land much more than double what they are now."

No one denies the [natural and ordinary, but not necessary][99] connection between rent and fertility.

[page] 234. "If a country were exclusively etc. etc."

Malthus argues that "the fertility of the land, either natural or acquired, may be said to be the only source of permanently high returns for capital." A purely manufacturing and corn-importing country would find it "absolutely impossible" to have high returns on capital "for any great length of time."

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[96] The entire "note" deleted.
[97] Deleted.
[98] Inserted.
[99] Inserted.

The [rate of][100] profits [in][1] such a country would depend, as the [rate of][100] profits [in][1] all countries depend, on the [proportional][2] quantity of labour necessary to provide for the wages of the labourer. If the [relative][3] price of corn is low as compared with [the prices of][100] all other things with which corn is purchased, profits will naturally be high, whether the country grows its own corn, or imports it.

The[4] relative cheapness of corn to manufacture [particularly][3] if the goods are made in the country, and are made with the usual and ordinary quantity of labour.

The real cheapness of corn, its cheap labour price, whether obtained directly [only][4] from the land, or by means of importation, is the efficient cause of high profits. Without cheapness of corn, that is to say, without a great surplus produce [in return][5] for labour, profits cannot be high—with it, they may not be high, because the labourers position may chance to be such that he may have the power of commanding a great portion of this surplus produce—that is to say, he may have high wages.

[page] 234. "In the earlier periods of history etc."

It is true that the quasi-monopoly of capital formerly possessed by "a very few towns" . . . tended to keep up profits for a much longer time."

These states had no close monopoly; there was competition amongst the citizens—they might undersell each other, and consequently they must have reduced [the price of their goods][6] to their cost of production, or natural price.

[page] 234. "No great commercial and manufacturing"

No modern state, "whatever may have been its skill, has yet been known permanently to make higher profits than the average of

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[100] Inserted.
[1] Replaces "of."
[2] Inserted, but subsequently deleted.
[3] Deleted.
[4] Entire paragraph deleted.
[5] Inserted.
[6] Replaces "prices."

the rest of Europe," though capital used on "moderately good land, may permanently and without fear of interruption or check, sometimes yield twenty per cent, sometimes thirty or forty, and sometimes even fifty or sixty per cent."

Because the labour price of corn has not differed much in those countries—or because the labourers were better paid in some than others.

[page] 235. "And indeed it is quite obvious etc."

The returns to the property tax showed that the income from land was nearly 6½ millions, that from "capitals employed in commerce and manufactures" yielded only 2 millions. "And indeed it is quite obvious that, in comparing two countries together with the *same* capitals and the *same* rate of profits, one of which has land on which to grow its corn, and the other is obliged to purchase it," the first will be "much richer, more populous and have a larger disposable income for taxation."

We say if corn could have been imported into England at a low price, profits would have been very high. [We say that][7] The present rents [and all rent][7] once constituted profits [and therefore must be a deduction, from them].[7] Mr. Malthus answers, if profits had been the same, and you had imported corn, you would obviously have been poorer by all your rents. True, *if profits had been the same!* but that is precisely the subject in dispute.

[page] 236. "If a country can only be rich by running"

Countries with a fertile soil are not obliged to reduce wages "to enable them to find a market for their exports. If a country can only be rich by running a successful race for low wages, I should be disposed to say at once, perish such riches!"

So would I. We want the labourer to be abundantly provided, and maintain that the way to effect it is, by making the labour price of the chief commodity he consumes cheap. Mr. Malthus says, a nation which purchases the main part of its food from foreigners is condemned to the hard alterna-

[7] Inserted.

tive of allowing the lowest wages to its labouring classes. This is begging the question. We answer that it is not on the circumstances of its buying [or growing][8] its food that this must depend, but on the terms on which it is bought—no nation will buy [if][8] abroad if they can buy cheaper at home.

[page] 236. "Prudential habits among the labouring classes" etc. etc.

A large population can be maintained in wealth and plenty by a country growing its own food provided cultivation is not pushed too far and the poor exercise "prudential habits."

This is quite a new doctrine—I shall have other opportunities of examining whether it be a true one.

[page] 236. "To forego the small increase etc."

This is taken from the footnote to the passage just cited: prudential habits would keep wages up and therefore some barren land could not be cultivated with profit, but the check to output and population so resulting "would, in a large and fertile territory, be a slight and imperceptible sacrifice, while the happiness which would result from it to the great mass of the population, would be beyond all price."

Any people almost might be happy on any territory, if they carried their prudential habits far enough, and restricted their population to the provision which they were easily able to make for them.

[page] 237. "According to Mr. Ricardo etc. etc."

Among the "inestimable advantages" which belong to land yielding "a considerable rent" is, it "affords the main security to man that nearly his whole time, or the time of nearly the whole society, shall not be employed in procuring mere necessaries." Ricardo argues that in a progressive society, capital yields "a continually diminishing revenue," whilst "the labourer will be obliged to employ a greater quantity of labour to procure that portion of his wages

[8] Deleted.

which must be spent in necessaries." These two classes therefore will enjoy less leisure and have a smaller command over the labour "of those who administer to the enjoyments of society." Fortunately, "the neat rents of the land . . . can never be diminished by the progress of cultivation" and thus "will always afford a fund for the enjoyments and leisure of the society. . . ."

I am not fairly quoted—I have said this will be the case if you are obliged to have recourse to worse land to feed your increasing population,—the consequence of the accumulation of your capital; but, I have added this will not be the case if you can and will get cheap food from abroad. On my plan there will be no transfer neither from profits or wages to rent; prohibit importation [and][9] there will, while the actual produce will be less. "See the advantages of growing corn over importing it" says Mr. Malthus. "With the progress of capital, profits [and wages][9] will fall, but if you grow your [own][10] corn, you will have rents to compensate you for this loss. I answer refuse to grow your own corn, and profits will not fall, and you will [not] [10] want [an] [11] inadequate compensation for a loss which you will not suffer. It was hardly fair to quote me to [shew][12] that profits would fall whether you imported or grew corn.

[page] 239. "In every point of view, then,"

[the passage continues], "in which the subject can be considered, that quality of land which, by the laws of our being, must terminate in rent, appears to be a boon most important to the happiness of mankind, and . . . its value can only be underrated by those who still labour under some mistake, as to its nature, and its effects on society."

There is a surplus produce from the land from which profits and rents are taken. I am of opinion that the interests of society are best promoted by allowing the free importation of corn, the consequence of which is that the surplus produce from the land in cultivation at home will

[9] Inserted.
[10] Inserted
[11] Replaces "no."
[12] Replaces "prove."

be divided in proportions more favorable to the farmer and capitalist, and less favorable to the landholder. Mr. Malthus appears to differ from me, but instead of shewing that society would be benefited by taking from the capitalist and giving to the landlord, he considers rent as a clear gain and accuses me of underrating its value because I am not willing to allow [it to be][3] that the surplus produce increases or diminishes as rent rises or falls.

[page] 241. "To shew that what may be called etc. etc."

The price of labour is governed directly by supply and demand: "the cost of producing labour only influences wages as it regulates the supply of labour"; in proof, cases are given "where, under temporary circumstances, the cost of production does not regulate the supply; and here we shall always find that this cost immediately ceases to regulate prices."

In many parts of [Mr. M's][14] work this opinion as applied to commodities is enforced, but I do not know by whom it is called in question. Natural price is another name for cost of production—while a commodity will sell in the market for its natural price or above it, it will be supplied, the cost of production therefore regulates its supply. Mr. Malthus says the demand [compared to][15] the supply [regulates price][16] and the cost of producing the commodity regulates the supply. This is a dispute about words—whatever regulates the supply regulates the price.

[page] 245. "If one species of labour etc. etc."

Criticising Adam Smith for the error contained in the following passage:[17] "If one species of labour requires an uncommon degree of dexterity and ingenuity, the *esteem* which men have for such talents will give a value to their produce, superior to what would

[13] Deleted.

[14] Replaces "this."

[15] Replaces "regulates."

[16] Inserted.

[17] "Wealth of Nations," Book I. ch. vi; Malthus's citation of Smith's text is typographically inexact.

be due to the time employed about it." It is the scarcity of such dexterity and ingenuity which is the cause of the high value of the produce, because the quantity will be restricted.

That is to say will make men willing to give more for it, but its value will not be regulated by this willingness but by the supply which will again depend upon the interest which fathers may feel to give their children this dexterity and ingenuity [and the cost of giving it].[18] If it could easily be given to labourers to their children and at little cost, it would have little value however much it might be esteemed.

[page] 247. "Mr. Ricardo has defined etc. etc."

Ricardo's definition[19] of the natural price of labour, is "a most unnatural price; because in a natural state of things, that is, without great impediments to the progress of wealth and population, such a price could not generally occur for hundreds of years."

I have done so that we may have one common language to apply to all cases which are similar. By natural price I do not mean the usual price, but such a price as is necessary to [the][20] supply [constantly][21] a given demand. The natural price of corn is [the][22] price [at which the][23] at which it can be supplied affording the usual profits. With every demand for an increased quantity [the market price of corn][24] will rise above this price [and probably is[25] never at the natural price but either above or below it,—the same may be said of the natural price of labour.][26]

[18] Inserted.

[19] "that price which is necessary to enable the labourers, one with another, to subsist and to perpetuate their race, without either increase or diminution," in "Principles," (2nd ed.), p. 85.

[20] Deleted.

[21] Inserted.

[22] Replaces "that."

[23] Deleted.

[24] Replaces "it."

[25] Sic.

[26] Replaces "therefore if capital and population regularly increase the market price may for years exceed its natural price. I am however very little solicitous to retain my definition of the natural price of labour—Mr. Malthus's will do ["nearly" inserted, and later deleted] as well for my purpose."

[page] 258. "If the fall be considerable"

Population may fail to adjust itself to the "apparent command of the labourer over the means of subsistence" when the value of raw produce falls, so as to diminish the ability of cultivators to employ the same volume of labour at the same price. A considerable fall will throw so many labourers out of employment as to cause wages to fall in proportion. But a gradual fall may merely "prevent or diminish task-work, to check the employment of women and children, and to give but little encouragement to the rising generation of labourers."

How can it fall unless from increased supply and diminished demand [or cheaper cost of production?][27] If it be from diminished demand, the labourers must have been thrown out of work before, and their not being employed cannot be attributed to this cause. If the supply be increased without any diminution of the supply of other things, it cannot diminish the power of the country generally to employ labour, but on the contrary must increase it.

It may diminish the power of the farmer because he must make good a money rent, and therefore with an increased quantity of produce he may have less power of commanding labour, after the payment of his rent, than he had before. But if he have less, someone must have more. The landlord's rent would enable him to employ more labour. If the capitalists retained the same money [capitals][28] they might with the same money employ more people if wages fell, and yet the labourers might be better off than before. If money wages did not fall, still, more labour would be demanded, because the same money wages would purchase more commodities and food together and therefore give more encouragement to labour. If nothing else were required more millers would be wanted to grind the corn, more bakers to bake bread, and more cooks to make pastry. If the cost of production of corn were reduced, it would fall, without an increased supply, but [less][29] labour could not be required

[27] Inserted. [28] Replaces "profits." [29] Replaces "more."

[in the country][30]—because in proportion as less labour was bestowed on the production of corn more would be devoted to the production of other things.

* Note.[31] When I had the 1000 quarters the whole was consumed within the year, and so at every subsequent period—it is always consumed and reproduced. The word accumulation misleads many persons and sometimes I think it misleads Mr. Malthus. It is by many supposed that the corn is accumulated, whereas to make such a capital productive and to increase wealth it must be constantly consumed and reproduced.

[page] 258. "The command of the labouring classes"

A sudden and considerable fall in wages due to a considerable fall in the value of raw produce really affects the "command of the labouring classes over the necessaries of life" to a smaller extent than a gradual fall would do, "and, upon all general principles, ought to produce less effect on the increase of population."

If it be meant that a mere fall in the *price* of necessaries is not of itself a cause of an increased demand for labour, and of placing the labourer in a situation really better than before, there can be no dispute about it, because money may alter in value, and corn may at the same time become scarcer. The money price of corn would fall but the money price of [labour][32] would fall still more. If money does not alter in value—the fall in the money price of corn must be favorable to the labourer. It can only be caused by abundance and that abundance must be [temporary, and][33] in consequence of an accidental good season, or [if][34] it must [arise from a more][35] permanent [cause][36] and in consequence of a cheaper mode of production. A temporary abundance from a very

[30] Inserted.
[31] On a scrap of paper, without pagination; on reverse, in another hand "Mrs. Taphouse, Merlands, near Faranham (?), Surrey."
[32] Replaces "wages."
[33] Inserted.
[34] Deleted.
[35] Replaces "be."
[36] Inserted.

good harvest is not favorable to the [farmer],[37] but it is favorable to all other classes. The farmer may have a diminished revenue, and even a diminished capital, because his engagements to his landlord are made in money, and a very abundant crop will be worth less money than a scanty one. The landlord will receive no more money rent, but the corn he consumes for his own family and in the support of his horses and cattle will be at a lower price, and he will be benefited by the difference of price. If wages fall, the manufacturers will be benefited, by getting increased profits, as well as by getting the same advantage in their expenditure as that obtained by the landlords. Even the farmer will be in some degree compensated by [paying][36] lower wages. If wages do not fall the labourers will have many increased means of enjoyment; the chief article of expence with them being cheap, they will have the difference between the sum they before expended on corn, and the sum now required for that purpose, to expend on other things, or to save. If as much is saved by them as is lost by the farmer, the society will be no poorer than before, and even [at][38] the [former][36] average price of corn, in future, the same quantity of labour will be in demand. But if no saving is made by labourers [and wages do not fall][36] it must I think be admitted that a temporary abundance of corn from a good harvest has a tendency to diminish the effective capital of the country. Not so will a low price of corn caused by the permanently diminished cost of [its][39] production. That may also be injurious to farmers,—will also be injurious for a time to landlords, but all other classes receive such permanent benefits from it that the society altogether is more than compensated for these trifling drawbacks. On this part of the subject it will not be necessary to dwell as I have explained my views on several other occasions.

Mr. Malthus appears to think that under all circumstances,

[37] Replaces "capitalist." [38] Replaces "with." [39] Inserted.

and however caused, a fall in the price of raw produce will be attended with a diminished demand for labour. In one case [after][40] "so many labourers will be thrown out of work that wages, after a period of great distress, will generally be lowered in proportion."[41] In another "the quantity of the necessaries of life actually earned by the labourer and his family, may be really less than when, owing to a rise of prices, the daily pay of the labourer will command a smaller quantity of corn."[42]

[page] 261. "What is mainly necessary to a rapid increase of population"

[the passage continues] "is a great and continued demand for labour; and this is occasioned by, and proportioned to, the rate at which the whole value of the capital and revenue of the country increases annually; because, the faster the value of the annual produce increases, the greater will be the power of purchasing fresh labour, and the more will be wanted every year."

The truth of this proposition depends on the meaning which is attached to the word value. According to my view the power of commanding labour may increase although the value of the capital of the country may diminish—it depends mainly on the quantity of capital—or that portion of capital which employs labour. Now value according to Mr. Malthus depends on the quantity of necessaries and conveniences. His proposition then is "that population will increase with a demand for labour, and with the means of supporting the labourers"—a proposition that cannot be controverted.

[page] 261. "It has been sometimes thought"

It is an error to think that the growth of circulating capital alone governs the demand for labour; a substitution of fixed for circulating capital which throws out of work "labour, which cannot be employed elsewhere," diminishes annual produce, "and retards the increase of the capital and revenue taken together."

[40] Deleted. [41] Page 258. [42] Ibid.

The [effective][43] demand for labour must depend upon the increase of that part of capital, in which the wages of labour are paid. Fixed[44] capital cannot be increased, but through the means of labour—and [therefore][43] there must previously be an increase of circulating capital, or which is the same thing, a diminution of unproductive, and an increase of productive consumption. If I have a revenue of £2000—in the expenditure of that revenue I necessarily employ labour. If I turn this revenue into capital, I at first employ the same labour as before, but productively instead of unproductively. This labour may be employed in making a machine, the machine becomes a capital, and all that it produces is the revenue derived from that capital. Or this labour may be employed on the land, and the corn which it produces may be a capital to enable me to employ [an][45] additional [quantity][46] of labour. A society does one or the other in proportion to the demand for either the objects of men's work; or for objects which are almost exclusively produced by machinery:—in general the capital accumulated will consist of a mixture of both, of fixed and of circulating capital. It appears then that to the person saving capital, it can be of no importance whether it be employed as fixed or as circulating capital; if profits be 10 pct. they will equally yield a revenue of £200 on £2000 capital, but if it be employed as fixed capital goods to the amount of £250 or £300 may replace the capital, and give the £200 profit—if it be employed as circulating capital [it][47] may be necessary to sell the goods produced for £2200, to replace the capital and give the £200 profit. The country, which is enriched only by the net income, and not by the gross income, will be equally powerful in both cases:—to the capitalist it can be of no importance whether his capital consists of fixed or of circulating capital, but it is of the greatest importance to those who live by the

[43] Inserted.
[44] Entire sentence deleted.
[45] Replaces "this."
[46] Replaces "capital in the support."
[47] Replaces "£2200."

wages of [the][48] labour; they are greatly interested in increasing the gross revenue, as it is on the gross revenue that [they][49] must depend the means of providing for the population. If capital is realized in machinery, there will be little demand for an increased quantity of labour—if it create an additional demand for labour it will necessarily be realized in those things which are consumed by the labourer.

[page] 262.[50] "If for instance, a capitalist who had"

A capitalist who, formerly spending £20,000 in wages to produce £22,000 of goods, then invested £22,000 in making a machine, would, in the long run, reduce the value of the annual produce, since, "in order to obtain the same rate of profits as before" he needs "to sell his goods for a little more than £2,000 instead of £22,000."

There appears to me to be a fallacy in the whole of this argument. I have a circulating capital of £20000 with which I make goods that sell for £22000—. [I all at once discontinue my trade and][51] Instead of making these goods I make a machine worth £22,000;—I shall neither be richer nor poorer, for my goods in the one case, and the machine in the other, are of equal value.

[page] 263. "Even in Agriculture, if the fixed capital"—to the end of the paragraph.

But the cotton, hardware, wooden and other industries show that "in general, . . . the use of fixed capital is extremely favourable to the abundance of circulating capital" and then to the demand for labour by increasing the capital and revenue in a state. Even in agriculture, if horses, which "is the most disadvantageous description of fixed capital," since they consume much produce, were no longer used, much corn land would be thrown out of use. There would be a falling off of corn produced and therefore "in the whole value of the produce; and the demand for labour and the amount of the population would be greatly diminished."

It does not appear to me as a necessary consequence "that

[48] Deleted.
[49] Inserted; sic.
[50] Entire "note" deleted.
[51] Inserted.

the demand for labour and the amount of the population would be greatly diminished."

Suppose that 1000 qrs. of corn were raised, of which 200 qrs. might be considered as the surplus produce and that of the remaining 800—four hundred were paid to the labourers for their work, and four hundred were used in feeding the horses and oxen employed in the business of the farm. Suppose now, that instead of 1000 qrs., only 900 were produced, in consequence of the adoption of spade husbandry, and the dismissal of the horses and oxen from the work of the farm. Of this 950, let 150 qrs. only be the surplus produce, and let the remaining 800 be given to the labourers in husbandry for their work. Under these circumstances there might be an increased demand for labour with a diminution in the gross and net produce. Whether there would be or not would depend on the quantity of land which such a low rate of profits might throw out of cultivation. It must however be allowed that [it is quite possible that a][52] diminished production is compatible with an increased consumption, *by human beings* and as in the case the whole quantity produced would be consumed by man, there might be an increased demand for labour although corn should be higher in price and require an increased cost [for its][53] production. This[54] is perhaps the only case in which the substitution of labour for fixed capital, if horses can be so called, which is not attended with advantage to the capitalist yet is necessarily beneficial to the working classes.

[page] 264. "On the other hand"

A gradual extension of fixed capital in agriculture would enable cultivation to be much extended, and, provided the value of raw produce did not fall much, would "occasion a very great increase in the exchangeable value of the general produce, and thus cause a great demand for labour and a great addition to the population."

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[52] Deleted. [53] Replaces "of." [54] Entire sentence deleted.

It might be possible to do almost all the work performed by men with horses, would the substitution of horses in such case, even if attended with a greater produce, be advantageous to the working classes, would it not on the contrary very materially diminish the demand for labour? All I mean to say is that it *might* happen with a cheaper mode of cultivation the demand for labour *might* diminish, and with a dearer it might increase.

[page] 264. Note "Yet as horses must be kept to"

[Footnote to penultimate passage]. Malthus doubts statements as to the greater efficacy of spade cultivation. If they are true, why "the continued use of ploughs and horses in agriculture"? Even if true, horses would still be required for some purposes; "it could hardly answer to the cultivator to employ men in digging his fields, while his horses were standing idle in his stables."

I mean to give no opinion on the subject of spade husbandry—I am not qualified to do so, but I do not see the necessity of horses standing idle in the stable. The same horses might do the work of various farms—they might be let out for other purposes to which the work of horses is applicable or they might be hired on occasion by the farmer.

[page] 265. "At the same time it is certainly true"

In practice, the introduction of fixed capital will hardly diminish the effective demand for labour; but it is true, that a rapid substitution of fixed for circulating capital might throw labour out of employment and occasion great distress, if it took place "before an adequate market could be found for the more abundant supplies derived from it and for the new products of the labour that had been thrown out of employment."

Mr. Malthus's peculiar theory is that supplies may be [so][55] abundant, and that they may not find a market. This is insisted on in various parts of his work. A [too][56] very great facility of production, might, under certain circum-

[55] Replaces "too." [56] Deleted.

stances, encourage a habit of indolence, and therefore might be a reason for commodities not being produced abundantly, but it can be no reason, when they are produced, for their not being exchanged against each other. We all like to buy and consume, the difficulty is in the production. One product is bought by another; every man will buy if he has a product to give in exchange, and does not value that higher than the commodity offered.

[page] 265. "But in this case the general produce"

Were the introduction of fixed capital to take place in the manner described, "the general produce, or the capital and revenue of the country taken together, would certainly fall in value, owing to a temporary excess of supply compared with the demand, and would shew that the variations in this value, compared with the previous value paid in wages, are the main regulators of the power and will to employ labour."

That is to say they might fall in [a money][57] I suppose Mr. Malthus measure of real value in exchange, namely, in conveniences and necessaries, but suppose this increased produce consisted of conveniences and necessaries, then they must rise in value, for [the][58] value [of a standard measure][58] depends upon [its][58] quantity. Neither could it be said that they would command less labour, unless labour rose in value, because the command of labour must depend on the means of paying for it, and these means would be increased by the increased quantity of conveniences and necessaries. If less labour could be commanded it would only be because labour rose as compared with necessaries, a reason why profits should fall, and [less][59] capital be less rapidly accumulated, but low profits would only exist while labour continued high. Increase population and sink the value of labour as compared with necessaries, and profits would again be high and [afford][60] an inducement to new accumulation. I must re-

[57] Deleted.
[58] Inserted.
[59] Deleted.
[60] Replaces "be."

peat here what I have often said elsewhere that [capital][61] and labour could not both be [abundant][62] at the same time, for the one will always purchase the other, however they may be multiplied.

To say that I have a very abundant capital is to say that I have a great demand for labour. To say that there is a great abundance of labour, is to say that there is not an adequate capital to employ it.

[page] 265.[63] "In the formation of the value, etc."

The value of the whole produce of a country depends partly upon price, and partly upon quantity.

By price Mr. Malthus means money price and of course at a time when money is not varying in value. This it must be remembered is my measure of value which Mr. Malthus so loudly condemns. In this passage he proposes a compromise with me, he will admit one half of my measure of value if I will admit one half of his. I can not consent.

Mr. Malthus must mean price in a money stationary, or varying in value. If the former, I say that the whole value depends upon [the][64] price [of the whole quantity;][64] and that it will be durable; and with little or no increase of quantity, there will be no increase of wages because the demand for labour depends on quantity. Though the whole produce may be [at a][65] greater price taken collectively every thing may be at its former price. The price of 150 qrs. of wheat [may be][66] greater than the price of 100 qrs. and yet each individual quarter may be at the same price. If Mr. Malthus means that the value of the whole produce depends in any degree upon price in a varying medium, I do not

[61] Replaces "profits."
[62] Replaces "redundant."
[63] Entire "note" deleted, and rewritten; see following "note."
[64] Inserted.
[65] Replaces "of."
[66] Replaces "is."

know how to argue with him, for then our notions of value are so different that we clearly do not understand the terms used by each other. In such a medium an increase of price may take place without any increase of quality, [and even with a diminished quantity][67] the contrary may be the fact, the quantity . . .[68]

[page] 265. "In the formation of the value of the whole produce of a country, a part depends upon price, and a part upon quantity."

This is followed by the comment that an increase in the value of the produce due to price changes must "very soon" result in proportionate wage increases, but these higher wages have only a diminishing command over the necessaries of life, hence "population must come to a stop, and no further rise of prices can occasion an effective demand for labour."

If price be estimated in a medium unvarying in value, price and value mean the same thing, and then I understand the proposition to be this. Either the whole quantity of produce may have increased, each particular thing remaining at the same price, or the quantity may not have increased and each individual thing may be at a higher price. The whole price of 150 qrs. of wheat, may be greater than the whole price of 100 qrs. yet each individual quarter may be of the same value [as before][69] or the 100 qrs. may be of equal value with that which 150 qrs. bore before, because each individual quarter may [be of greater][70] have risen in value. The increase in the price of each individual quarter, in an unvarying medium, must be owing, if it have any duration, to an increased cost of production; but the increase in the price of the larger quantity, is compatible with a diminished cost of production.

[67] Replaces "or."

[68] For continuation, see concluding lines of succeeding "note" (and price may both rise," etc.); cf. page 129, note 63, above.

[69] Inserted.

[70] Deleted.

Mr. Malthus says that "an increase of price, with little or no increase of quantity, must be followed very soon [by][71] a nearly proportionate increase of wages." I should very much doubt if the increase of wages would be proportionate to the rise in the price of corn, for if corn can only rise in an unvarying medium on account of an increased cost of production, more labour must be bestowed to obtain the same quantity.

With more labour, there will be more labourers, and if more labourers only get the same quantity of corn, less of course will be the portion of each individual labourer, and therefore labour cannot rise in the same proportion as corn. I agree with Mr. Malthus "that the command of the labourer over the necessaries of life would go on diminishing, and the population must come to a stop" and therefore I cannot agree with him that the labourers wages would increase proportionably with the price of corn—if they did, population never could come to a stop. If the rise in the whole value of produce is owing to the increased quantity, then indeed wages would probably rise, because there would be an increased demand for labour.

As money wages would rise, and the commodities on which wages were expended would not rise, the labourer would command an additional quantity of commodities, and the population instead of coming to a stop would go on increasing; and another rise of prices, under the same circumstances, would occasion a further effective demand for labour.

This is on the supposition always that money in which price is estimated is at the time of an unvarying value; but if this be not a condition of the proposition, if Mr. Malthus means that the value of the whole produce increases in a money of varying value, I do not know how to deal with him, for [then][72] we may suppose the medium itself to become more valuable, or less valuable. In such a medium an in-

[71] Replaces "with." [72] Deleted.

crease of price may take place with the same [quantity of produce],[72] with a larger, or with a smaller quantity of produce. Quantity and price may both rise, or both fall. Each individual thing may rise or fall and may be followed by a rise or fall of wages. It is impossible to deny any proposition which may be advanced respecting price, unless it be previously determined whether the person advancing it regards money at the time as stationary, or variable in value, and, if variable in what degree and [in][73] what direction.

[page] 265. "On the other hand"

The passage continues, "if the quantity of produce be increased so fast that the value of the whole diminishes from excessive supply, it may not command so much labour this year as it did in the last, and for a time there will be no demand for workmen." Malthus adds that "There is somewhere a happy medium where, under the actual resources of a country, the increase of wealth and the demand for labour are a maximum; but this point cannot be ascertained."

By increasing the quantity of commodities, they may not be able to command so much labour as before. This I understand, because [the labourer][74] in proportion as commodities are low as compared with labour, labour is high as compared with commodities. Labour then is in great demand, it is paid for at a high value, and the labourer has an abundance of enjoyments:—there are plenty of commodities, and he has a large share of them? no such thing says Mr. Malthus "for a time there will be no demand for workmen." How are these propositions to be reconciled?

[page] 289. "But if he is able to command this additional"

A rise in the corn wages of labour due to an increase in the demand for labour, the price of corn being unchanged, means full employment for the labouring classes; but a rise in corn wages due to a fall in price of corn, "which diminishes the capital of the farmer" is an apparent rather than a real benefit to the labourer.

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[72] Deleted. [73] Inserted. [74] Deleted.

Everything in this argument must depend on the cause of the fall of the price of wheat. Is the cause temporary, or permanent? Is it occasioned by facility of production, or by temporary glut? Has money risen in value as compared with corn, and other things, or has the rise in the money price of corn been confined to corn only? Accordingly as the fall might be owing to one or other of these causes, would the effects be different.

I do not understand how the demand for labour may be stationary, if not retrograde, without any alteration in its price.

The current price of labour is the best criterion we can possess of the condition of the labourer and his family. What can prevent competition from acting on the price when the demand slackens or the supply increases?

[page] 290. "It is obvious therefore"

[the passage continues] "that the same current corn wages will, under different circumstances, have a different effect in the encouragement of population."

This conclusion is not made out, at least, to my satisfaction.

[page] 291. "I have said nothing of the value of labour etc."

"I have said nothing of the value of labour as measured by the criterion assumed by Mr. Ricardo, that is, by the labour which has been expended in procuring the earnings of the labourer, or the cost in labour of the labourer's wages; because it appears to me, that what I have called the real [i. e. "their value, estimated in the necessaries, conveniences and luxuries of life"] and nominal [i. e. "their value, estimated in money"] wages of labour include everything which relates to the condition of the labourer, the encouragement to population, and the value of money, the three great points which chiefly demand our attention."

Mr. Malthus thinks that [what][75] he calls nominal and real

[75] Replaces "whatever."

wages of labour includes everything which relates to the condition of the labourer, and the encouragement to population. But according to my view of the subject, he says, nothing can be inferred on these points. Does my view prevent an examination into the real condition of the labourer? It is true that I say the labourers wages are high if he receives a high value for his work, that is to say if he receive the produce of a great deal of labour. To know his real condition we must still enquire what this produce is in a quantity, the very enquiry made by Mr. Malthus. Because I give different names to Mr. Malthus nominal, and real price, he thinks there is a real difference between us—in this case I think there is none. I should first enquire what the labourers money wages were, and should estimate his [real][76] condition by the abundance of necessaries which those money wages would procure him.

[page] 294. "The difficulty or facility of production"
" 295. "The varying relation"

Chap. V deals with "The profits of capital," Sec. I treating "of profits as affected by the increasing difficulty of procuring the means of subsistence." "The means of supporting labour" are "generally the greatest and most important," of "the advances necessary to production." Since the varying rate of profits depends on variations in the value of advances made and value of commodities produced, Malthus begins with an investigation into the causes influencing the value of these advances. "The two main causes which influence the means of supporting labour" are

1. "The difficulty or facility of production on land. . . ."
2. "The varying relation of the quantity of capital to the quantity of labour employed by it. . . ."

These two causes may both be classed under the name of high or low wages. Profits in fact depend on high or low wages, and on nothing else.

The greater the proportion of the value of the whole produce necessary to support the labourer, the higher will be

[76] Deleted.

wages. The greater the quantity of capital is, compared with the labour which it is to employ, the higher will wages be.

In all this Mr. Malthus and I appear to concur. Whenever the difficulty of production on the land is such that a greater proportion of the value of the whole produce is employed in supporting labour, I call wages high, for I measure value by these proportions; and from Mr. Malthus language here, everybody would think he agreed with me, yet in page 291 he says "I have said nothing of the criterion assumed by Mr. Ricardo, that is, by the labour which has been expended in procuring the earnings of the labourer, or the cost in labour of the labourers wages." [This is only saying][77] In what does this differ from Mr. Malthus' criterion? One hundred quarters of corn are produced on the last land taken into cultivation, and with so much increased difficulty, that [tho'][77] the labourers portion [was] [77] of these 100 quarters [before produced was 70 quarters and is now reduced to 65 quarters yet the latter quantity may be a larger proportion of the whole value. Corn may have risen in value in any measure Mr. Malthus will name, and therefore if 65 qrs. be a greater proporti][77] is 65 quarters. On the land which before that was cultivated, as the last, 110 quarters were produced [with the same quantity of labour][78] and the labourers [then][78] obtained 70 quarters for their share. The portion now paid to the labourers is less, but the proportion of the whole produce obtained by their labour is greater, for they before had 63 pct. now they have 65, and as the 100 qrs. will now rise to the same value that 110 qrs. [were of][78] before, by having a larger proportion of the quantity produced, they will also have a larger value, and that value will be the produce of a greater quantity of labour than the smaller value was of before. I contend then that a greater proportion and a greater value mean the same thing [and][79] I allow Mr. Malthus to chuse any medium he pleases for measuring value

[77] Deleted. [78] Replaces "had." [79] Deleted.

except raw produce itself whose value is to be measured, and he will find my proposition true. Of course the measure itself must not have varied in value between the two periods of comparison.

[page] 296. "In this case etc."

If the effect of "difficulty or facility of production" alone is considered, the rate of profits would continuously fall, for rent would have to be paid, and as recourse to inferior soils became necessary, more labour would have to be employed, so that the residue remaining for capital would be constantly diminishing. Hence, agricultural profits "would be in proportion to the fertility of the last land taken into cultivation," and "as profits in the same country tend to an equality, the general rate of profits would follow the same course."

I quite agree with Mr. Malthus in this explanation of profits.

[page] 297. "But a moment's consideration etc."

Malthus has provisionally assumed that "the wages of each labourer remained the same" throughout, "but a moment's consideration will shew us, that the supposition here made of a constant uniformity in the real wages of labour is not only contrary to the actual state of things, but involves a contradiction." For if wages are not sufficient for the growth of population, poorer land would not be resorted to. If sufficient to allow an increase of population, and "yet were always to remain the same, it would involve the contradiction of a continued increase of population after the accumulation of capital, and the means of supporting such an increase had entirely ceased." The idea of "a *natural* and *constant* price of labour" in terms of the "necessaries of life" must be abandoned, and the "real price of labour . . . must evidently vary with the progress of capital and revenue, and the demand for labour compared with the supply."

And yet the value of labour is Mr. Malthus standard measure of real value in exchange. See the following paragraphs.

[page] 300. "The cost of producing corn etc. etc"

As inferior soils are resorted to "the cost of producing corn and labour continually increases from inevitable physical causes." Rela-

tively to labour and corn, the exchangeable value of the products of industry must therefore fall. "But if the exchangeable value of labour continues to rise, while the exchangeable value of manufactures either falls, remains the same, or rises in a much less degree, profits must continue to fall." Hence "the rate of profits must be limited by the powers of the soil last cultivated."

I agree throughout this section with Mr. Malthus in principle, we only differ in our [ideas of what constitutes a real][80] measure of value.

[page] 302. "If, in an early stage of improvement"

"Nothing can prevent low profits" when "capital is really abundant compared with labour"; to produce high profits, capital must be scarce compared with labour. "In an early period of improvement," the rate of profits will be high, if capital is scarce and wages therefore low, whilst the productive power of labour is high, "from the fertility of the land." But, often, "that particular portion of capital, which resolves itself into food" is "plentiful compared with the population, and high profits and high real wages are found together."

I am glad to observe that Mr. Malthus estimates profits by proportions. I only require him to estimate wages by the same rule. If he did he would not say that high profits and high real wages are found together in the early periods of cultivation. Our only difference here is in the names we give to the same thing, we both agree that the labourer will have high corn wages, Mr. Malthus therefore calls his wages high real wages. As it is acknowledged that corn will be at a low value, when it is so easily produced, I say his high corn wages will be of a low value, and therefore his real wages will be low; and the proof it, that he has but a small proportion of the produce.

[page] 303. "As Capital at any time"

Still granting a fertile soil and plenty of food, if population does not increase as fast as capital, "the profits of capital will fall" and fall progressively if capital goes on increasing "until . . the power and will to accumulate had ceased to operate."

[80] Inserted.

The labourers would have a monopoly, and the price of their labour would depend solely on the demand.

[page] 305. "The money price of corn and money wages would perhaps be as high as when their cost in labour had been double or treble"

If, instead of assuming a restricted population, a limited extent of land, of high but nearly equal fertility is assumed, then the effect of increasing supplies of capital would be, not to raise wages, but to raise rents. Exports would probably be great and the value of money "very low. The money price of corn and money wages would perhaps be as high as when their cost in labour had been double or treble: rents would rise to an extraordinary pitch . . . and profits might fall to the point only just sufficient to keep up the actual capital. . . ."

[Is it possible to believe that money would so fall in value from such a cause; If it did, of what importance would it be?][81]

[page] 305. "The effects which would obviously"

As the assumption (1) of a restricted population and then (2) of a restricted volume of fertile land "clearly shew that the increasing quantity of labour required for the successive cultivation of poorer land is not theoretically necessary to a fall of profits from the highest rate to the lowest."

In this case the landlords would have a strict monopoly, and the price of corn would rise [to the limit of][82] the ability of the consumers to pay for it.

[page] 305. "It may naturally appear hard etc."

The effects which have been shown to follow from the assumption of a restricted population shews that the "laboring classes of society" are really masters of their own destiny. It may appear hard that their individual share of the aggregate output should be so small. "But the division is at present determined, and must always in future be determined, by the inevitable laws of supply and de-

[81] Replacing "I do not understand what the writer means by these words."
[82] Replaces "in proportion as."

mand." Let the workers exercise "knowledge and prudence" and thus "keep the market understocked with labour."

The whole of this is excellent and cannot be too often and too clearly inculcated on the minds of the labouring classes.

[page] 307. "The value of the government"

But profits may vary quite apart from any causes due to the movement of population, as is shown by the price of government long annuities, the value of which stock cannot be estimated "solely by the number of years which it would have to run." For twenty years at a time, their value has been known to rise in spite of a total length of life of ninety years.

Does Mr. Malthus conceive that any one doubts the truth of the variableness of profits?

[page] 308. "Yet notwithstanding the utter inadequacy"

Similarly, it is impossible to "estimate the rate of profits in any country . . . for ten, twenty or even fifty years together" merely by a reference to "the increasing difficulty of procuring food," though, in spite of this inadequacy, "Mr. Ricardo, in his very ingenious chapter on profits, has dwelt on no other."

Mr. Malthus here brings a charge against me which he would find it very difficulty to prove. He has himself Page 294 Section 1 of this Chap. stated two causes for the fall of profits. I fully concur [in those two causes][83] with him in thinking that profits never vary but from one or other of those causes. I however endeavored to shew that they might be classed under one head, as in both cases the labourer received either a larger, or a smaller proportion of the whole produce. If a larger I called his wages higher, if a smaller lower.

[High][84] profits then were high when wages were low, and low when wages were high. Now Mr. Malthus will not deny that both the causes he mentions for high or low profits resolve themselves into the alottment of a larger or a smaller

[83] Deleted.

[84] Deleted.

proportion of the produce to the workman.—When the workman has a large proportion of the produce he will not call it high wages because he measures value by quantity and not by proportions—but here he differs only about a name; we mean, and he knows we mean, the same thing. Now I have invariably insisted that high or low profits depended on low and high wages, how then can it be justly said of me that the only cause which I have recognized of high or low profits is the facility or difficulty of providing food for the labourer. I contend that I have also recognized the other cause, the relative amount of population to capital which is another of the great regulators of wages.

In my chapters on Profits, Page 110—2nd ed. I say "If then wages continued the same, the profits of manufacturers would remain the same; but if, as is absolutely certain, wages should rise with the rise of corn, then their profits would necessarily fall." In page 116 I say "Thus in every case, agricultural, as well as manufacturing profits are lowered by a rise in the price of raw produce, *if it be accompanied by a rise of wages.*

I have read [the 1 and 2d][85] sections of Chap. 5 of Mr. Malthus [work] [86] with great pleasure; they express with great clearness and ability the doctrines which appear to me to be true respecting profits—I had, very imperfectly indeed, attempted to explain the same principles myself, in my work, and therefore I received great satisfaction on seeing so able an exposition of them by Mr. Malthus.

I was a little disappointed [however][87] at finding, towards the end of the section, that Mr. Malthus thought that the doctrine he had been laying down was essentially different from mine. In page 308 he says that there are two causes which operate on profits, and I have exclusively dwelt on one, which is inadequate to the effects actually produced. [If][88]

[85] Replaces "these two."
[86] Inserted.
[87] Inserted.
[88] Deleted.

this accusation I hope I have already satisfactorily answered. In page 309 he says, It is impossible then to agree in the conclusion at which Mr. Ricardo arrives in his chapter on profits, that in all countries, and at all times, profits depend upon the quantity of labour required to provide necessaries for the labourer on that land, or with that capital which yields no rent." Now this is no other than Mr. Malthus doctrine expressed in other words. I do not say that the labourers earnings will always be the same, but whatever they may be, profits will depend on the [proportion][89] which their value bears, to the whole value produced on the last land. A certain quantity of labour is necessary to obtain the whole produce, and profits depend on the proportion of the whole quantity [which may be][87] necessary to provide the labourers earnings, the rest only is profits.

"It is [says Mr. Malthus][87] merely a truism to say that if the value of commodities be divided between labour and profits, the greater is the share taken by one, the less will be left for the other; or in other words, that profits fall, as labour rises, or rise as labour fall."

If it is a truism it is not an error, why then notice it as such? It is a truism however which Mr. Malthus to ones great astonishment does not uniformly [admit].[90]. Sometimes he is at variance with the principle as I shall hereafter shew; but generally his objection is to the language. He for example says that profits and wages may, and frequently do, rise at the same time. This I say never can be true, Why? because value is measured by proportions, and a high value means a [large][91] proportion of the whole produce. As one proportion of a whole increases the other must diminish. Mr. Malthus says value is not measured by proportions it is measured by quantity—Increase the quantity then, and though you alter the proportions, both parties may get more. "We can know little of the laws which determine profits,

[89] Replaces "quantity." [90] Inserted. [91] Replaces "high."

unless, in addition to the causes which increase the price of necessaries we explain the causes which award a larger or a smaller share of these necessaries to each labourer." True, this is the important principle which I wish to establish, and I do not plead guilty to the charge that I attribute to one cause only, [namely][90] the diminished power of production, the greater or smaller share of the [whole][92] necessaries awarded to the labourer.

Mr. M's charge really comes to this. You have acknowledged that profits depend upon wages—you have said too that wages are affected by two causes, by the difficulty of furnishing a continued increasing supply of food for an increasing population; [and][93] by the varying proportions of capital to population which must necessarily have an effect on wages,—but you have attached too much weight to the 1st cause, and too little to the last." My principles are right then, but I have not weighed [the force of each][94] with sufficient nicety.*

* Note. Looking to my Chap. on wages I see page 87. The market price of labour is the price which is really paid for it, from the natural operation of the proportion of the supply to the demand; labour is dear when it is scarce, and cheap when it is plentiful. page 88. "Notwithstanding the tendency of wages to conform to their natural rate, their market rate may, in an improving society, for an indefinite period, be constantly above it." page 92. Independently of the variations in the value of money, which necessarily affect wages, but which we have here supposed to have no operation, as we have considered money to be uniformly of the same value, it appears then that wages are subject to a rise or fall from *two* causes:

1st. The supply and demand of labourers.
2nd. The price of the commodities on which the [labourers][95] wages of labour are expended."

[92] Deleted.
[93] Replaces "but."
[94] Replaces "them."
[95] Deleted.

Now be it observed that these two causes are the very same as those mentioned by Mr. Malthus as operating on profits in Page 294 of his work. See also pages 258 and 259, Chap. 16.

[page] 314. "A second circumstance etc."

M. is now treating of "profits as affected by the causes practically in operation." In practice, the tendency of recourse to poorer lands to diminish profits may be counteracted by improvements in implements, machinery, improved systems of cropping and managing land, and also by "an increase of personal exertion among the labouring classes."

All these circumstances come under the general [cause already noticed, namely the][96] "proportion of the produce [that is][97] given to the labourer." [Profits depend on wages.][98] The circumstances here enumerated undoubtedly affect wages, and therefore affect profits.

A day's labour of a Hindoo or a South American it is admitted cannot be compared with that of an Englishman—was it fair then in Mr. Malthus to suppose that when I was talking of the quantity of labour regulating price and profits I considered it as of no importance whether it was the labour for a given time of a Hindoo, an Irishman, or an Englishman. I apply my doctrine to the same country only, and fix on a standard which is common in that country. I should not estimate profits in England, by the labour of a Hindoo; nor in India by the labour of an Englishman,—unless I had the means of reducing them to one common standard.

[page] 315. "But it was stated at the beginning of"

Agricultural improvements and increased personal exertions tend to diminish or reduce expenses, or ratio of advances to value of product. But "it was stated at the beginning of this chapter, that profits depend upon the prices of products compared with the ex-

[96] Replaces "one of "what."
[97] Replaces "shall be."
[98] Deleted.

penses of production, and must vary therefore with any causes which affect prices without proportionately affecting costs, as well as with any causes which affect costs without proportionally affecting prices."

Mr. Malthus use of the word cost is throughout this work very ambiguous. In the cost of a commodity does he include or exclude the profits of stock. Here he evidently excludes it.

[page] 315. "I will therefore only add here"

A considerable effect on profits will be produced if corn prices rise, owing to increased demand. Having referred before to this point, Malthus adds here only "that when the prices of corn and labour rise and terminate in an altered value of money, the prices of many home commodities will be very considerably modified for some time, by the unequal pressure of taxation, and by the different quantities of fixed capital employed in their production," the prices of foreign products remaining comparatively low.

I do not understand what is meant by the prices of corn and labour rising and terminating in an altered value of money. The price of corn may rise on account of increased difficulty of producing it, this will raise corn relatively to other things, but money will continue unaltered in value. The price of corn may rise because money falls in value, everything else will then rise, and no effect will be produced on [real][99] wages and profits, the rise will be altogether nominal.

[page] 316. "The rise of corn and labour at home"

Many commodities which are of foreign importation or are made out of foreign produced commodities, whilst not affected proportionately by the rise of corn and labour prices at home, enter into the farmers capital or the "wages of the labourer." The ratio of capital to produce will therefore alter, "a given value of capital will yield a greater value of produce."

If it be a real rise of corn and labour, and not a fall in the value of money, it will not raise the price of foreign products.

[99] Inserted.

But how will it affect the price of home products? it will raise some, and lower others, according as more or less fixed capital may be employed on their production. See Page[100] What Mr. Malthus says in this paragraph is shortly this "profits will not fall so much as might be expected from a rise of corn, because the labourers wages, though they will rise, will be kept [from rising much][1] by the comparatively cheaper price of the other necessaries which he consumes. This cannot nor has not been disputed.

[page] 318. "From the accession of Geo. 2"

Though the "physical necessity of a fall of profits in agriculture" is admitted, and, indeed insisted upon, yet, "in the actual state of the world . . . is so frequently counteracted and overcome by other causes as to leave very great play to the principle of the competition of capital."

Nobody can deny that improvements in agriculture, and in the application of labour to the land, have the same effect in raising profits, as an increase of fertility in the land.

[page] 320. "The different rates of interest etc. etc."

An examination of interest rates during the period 1750-1790 and after 1790 shows that the rate of interest was higher in the second period, and profits must have been proportionally higher, and the movement of interest and profits "in the two periods here noticed are diametrically opposed to the theory of profits founded on the natural quality of the last land taken into cultivation."

This is disingenuous. Who has advanced a "theory of profits founded on the natural quality of the last land taken into cultivation." The theory is that profits depend on the productiveness of the last land taken into cultivation, whether that productiveness be owing to the natural quality of the land, or the economy and skill with which labour may be applied to it. Profits are increased, either by diminishing

[100] *Sic.*

[1] Replaces "down."

the quality of labour bestowed on the last land which yields a given produce, or by increasing the produce with a given quantity of labour. Mr. Malthus will I am sure not say that I have ever denied this principle—he will not say that I have not distinctly advanced it.

[page] 320. "The nature of these facts"

The facts as to interest and profit rates "obviously and clearly point to the *relative* redundancy or deficienty of capital, as, according to every probability, connected with them." Is this a sufficient explanation of lower profits in the earlier period compared with higher profits, combined with "the progressive cultivation of fresh land" in the later period?

What does Mr. Malthus mean by relative redundancy of capital? I do not like the term; but waiving that objection, under every increase of capital, if population increases still faster, and labour falls, population is redundant as compared with capital; and if population increases at a slower rate than capital, capital is relatively redundant to population. This is again another way of stating that profits will be high or low, according as wages are low or high.

[page] 321. "Allowing, however, even a stationary"

In the earlier period, corn prices had fallen, and some authorities go so far as to think that wages had risen. But even if wages were assumed to be stationary, this, combined with falling corn prices, would at once account for falling agricultural profits, even if no account is taken of the rise in other elements of the farmers' capital, such as leather, iron, timber.

Whatever Mr. Malthus may call it this is a high price of labour, because by his own shewing it is an increased proportion of the produce obtained from the last land [which is awarded to the labourer].[2] He is particularly bound to call [such][2] wages high, because he measures value by quantity, and he tells us the labourer will have an increased quantity of corn, [which he calls][2] increased real wages [as Mr. Mal-

[2] Inserted.

thus calls them].[3] Profits then fall because wages rise—circumstances have made the position of the labourer favorable to him. Labour is undersupplied compared with capital. [Under the circumstances mentioned] [3] If money wages were higher than before, that [would][4] account for a fall in mercantile profits. If they were no higher, money could not be of the same value—it must have [risen][5] and the prices of goods have fallen.

[page] 322. "These two causes of productiveness in the powers of labour were evidently encouraged and in a manner called into action by the circumstances of the times, that is by the high price of corn."

In the second period two factors were at work (1) improvements in agriculture (2) greater employment of women and children, and an extension of task-work i. e. "a great increase of personal exertion." The reason for their employment was the high price of corn, and the shortage of man power due to the war.

Money, and money unvarying in value, is uniformly referred to by Mr. Malthus, altho' he before so pointedly rejected it as a measure of value. If money prices were as Mr. Malthus calls them [always][6] nominal prices, and very different from real prices, [high money prices][7] would not afford any encouragement to [the][8] increased production of a particular commodity, [or at least they would only do in proportion][8] It is only high real value which affords any such encouragement. I wish Mr. Malthus had kept [uniformly][8] to his own standard, and [not changed from his own to mine and from mine to his own on various occasions][8] explained the principles of political economy by a reference to it. If corn rises from £4—to £5 pr. quarter he calls it a rise in the price of corn, if labour rises from 10 to 12/– pr. week he speaks of the rise in the price of labour,

[3] Deleted.
[4] Replaces "will."
[5] Replaces "raised."
[6] Inserted.
[7] Replaces "they."
[8] Deleted.

but he sometimes calls the same things a fall in the [real][9] value of labour. True he would say the labourer gets more money but for that money he gets less corn. How am I to know when he talks of the high price of labour whether he means a high or a low real value?

[page] 323. "The third cause"

The third factor, operating in the second period, "which had a very considerable effect, much more indeed than is generally attributed to it, was a rise in the money price of corn without a proportionate rise in mercantile and manufacturing produce."

Now this is one of the occasions where it appears to me that Mr. Malthus comes to a wrong conclusion by mixing the two measures of value—corn value—and money price.

He supposes that corn rises relatively to other commodities, and that wages rise relatively to other commodities, but fall in corn, and he concludes that profits will rise.

First how can the manufacturers profits rise? Wages in commodities are higher than before, the manufacturer therefore retains a smaller quantity of manufactured goods for himself after paying the remainder for wages. The relative value of manufactured goods have not altered, therefore with his diminished quantity of goods he can obtain only a diminished quantity of all other manufacturers goods. But the relative value of manufactured goods are lower compared with corn. If he had the same quantity of goods as before he could obtain less corn for them, having a less quantity of those goods this less quantity of corn will still be reduced lower. His profits then estimated in goods or in corn are lower than before. [Of the produce on the land last cultivated the farmer will get a less portion of corn and the labourer will][10] Why does the relative value of corn rise? because it is more difficult to produce it, or the [demand][11] has increased compared with the supply. The demand, can

[9] Inserted. [10] Deleted. [11] Replaces "supply."

not have increased, because the labourers by the supposition consume less. The supply may have diminished from a bad season, the farmer's profits are then accidental and temporary and are besides counteracted by his obtaining the increased price for a smaller quantity. The only permanent cause then is increased cost of production. On the land last cultivated, less will be obtained, and notwithstanding the reduction in the quantity given to the labourer, it will be a larger proportion of the whole. The whole quantity obtained by the farmer may [and will][12] be of no greater value in manufactured commodities than before—out of that [equal][12] value, he is to pay a larger proportion and therefore a larger [value][13] estimated also, if you please, in manufactured goods, to the labourers; how then can his profits have risen? they will fall to the level of [the][12] manufacturers profits. On the better lands rents will rise, which will occasion a like fall in the profits of the cultivators of such lands.

[page] 324. "At the same time it must be allowed"

Though it may be argued that a continuance of agricultural improvements and increased personal exertions cannot be counted on in the future, yet Malthus thinks that "in the actual state of most countries in the world, or in their probable state for some centuries to come, we may fairly lay our account to their operation when the occasion calls for them."

Under a system of free importation, there would be a sufficient demand for corn of home growth, to [encourage][14] improvements in agriculture.

[page] 324. [ ]

This comment refers to an unquoted sentence, forming part of the passage summarised in the preceding note on the probable continuance of the causes by which this tendency to a diminution of profits is overcome. Malthus speaks of the "necessary effect of a rising price of corn owing to an increase of wealth."

[12] Inserted. [13] Replaces "proportion." [14] Replaces "stimulate."

Mr.[15] speaks of a rising price of corn owing to an increase of wealth. If this is not occasioned by an increased cost of production, why should it operate on corn more than on other things. If it did not, either corn would not rise, or there would be a proportionate rise of other commodities, and then the whole might be referred to a fall in the value of money—which produce no effects on profits.

[page] 325. "I should feel no doubt etc."

The passage—extraordinarily happy, as things have turned out—continues: "of an increase in the rate of profits in this country for twenty years together, at the beginning of the twentieth century, compared with the twenty years which are now [circa 1820] coming on; provided this near period were a period of profound tranquility and peace and abundant capital, and the future period were a period in which capital was scanty in proportion to the demand for it owing to a war, attended by the circumstances of an increasing trade, and an increasing demand for agricultural produce similar to those which were experienced from 1793 to 1813."

What a number of conditions! the only one of importance is the abundance or scarcity of capital compared with the demand for it, which is saying in other words that if in the [beginning of the][16] twentieth century the comparative quantity of capital and labour should be such that the labourers should [not be able to command so large a][17] proportion of the produce obtained on the last land profits will [then][16] be higher. On these conditions there is no denying the conclusion. Whether they will be so [or][16] not must depend on improvements in agriculture—or on the permission by law to import corn [freely and][18] without restrictions from other countries.

[page] 325. "And consequently to dwell on"

In short periods, relative abundance or scarcity of capital affects profits more than the fertility of the last land taken into cultivation.

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[15] *Sic.*

[16] Inserted.

[17] Replaces "have a less."

[18] Deleted.

It is therefore mistaken "to dwell on this latter point as the sole, or even the main cause which determines profits."

An unfounded charge—see p.[18a]

[page] 326. "According to Mr. Ricardo etc. etc."

This section is devoted to "Remarks on Mr. Ricardo's Theory of Profits." In the first sentence the view is ascribed to Ricardo that "profits are regulated by wages, and wages by the quality of the last land taken into cultivation." On p. 309, it is said by Malthus that he cannot agree with Ricardo's conclusion, cited textually from his sixth chapter, "that in all countries, and at all times, profits depend upon the quantity of labour required to provide necessaries for the labourer on that land, or with that capital which yields no rent."

This account of my opinion differs greatly from that given by Mr. Malthus Page 309,—but in what he now says he is not quite correct. I do not say that profits are regulated by wages, and wages by the [last][19] quality of the last land taken into cultivation without any regard to its productiveness, for it is expressly the productiveness of that land which regulates profits [if wages be supposed of a fixed value][20] [I have said so on Page 66][19]

[page] 329. "Let us suppose a prosperous commercial city etc. etc."

Ricardo's error lies in assuming "uniformity in the value of wages and profits taken together." He "never contemplates the fall of prices as occasioning a fall of profits, although practically in many cases . . . a fall of profits must be produced in this way." Thus a manufacturing city exporting manufactures and importing corn, would find that a larger output would have to be sold at lower prices in terms of wheat "and profits would necessarily fall." It is not the corn which has risen in price, but the manufactures which have fallen in price: and the "opening a new market for the manufactures in question would at once put an end to the fall of profits."

In all the remarks preceding this passage Mr. Malthus has

[18a] *Sic;* presumably Ricardo's comment to p. 308 of Malthus, see above.
[19] Deleted. [20] Inserted.

clearly shewn that no medium that can be chosen is or can under any circumstances be [even][21] supposed to be an accurate measure of value. I not only admit this but have myself pointed it out. To whatever corrections must be made for this irremediable imperfection in [the most perfect measure][22] of value that can be conceived, I have no objections to offer. It may affect some commodities one way, some the contrary way, the general average however will not be much affected. The general principle is not in the slightest degree invalidated by the necessary imperfection of the measure. I maintain no other doctrine than that which has been well explained by Mr. Malthus in the 2 first sections of 5th Chapter. His own statements are sometimes at variance with it, mine I believe never.

I have now however to do with the passage at the head of this remark.

Instead of supposing that all the corn this prosperous and commercial city [required][23] was imported let us suppose that three fourths of that quantity was imported, and that no land remained in cultivation but such as afforded so abundant a supply that the farmer could afford to sell it at the low price [of importation][24] and obtain the current rate of profits. Mr. Malthus would probably then agree with me that profits could not fall whilst we could import corn at the same price because till it rose [tho][25] no worse land could be cultivated, [for no man][25] If poorer land were cultivated the quantity of produce [on that land][24] would not bear the same proportion to the labour employed as before, and therefore either corn must rise or commodities must fall to preserve the equilibrium of profits. If poorer land were cultivated I should say that the natural [value][26] of corn had risen, at whatever value in money it might be rated. If it did not rise in price but commodities fell in price I should

[21] Inserted.
[22] Replaces "all measures."
[23] Replaces "imported."
[24] Inserted.
[25] Deleted.
[26] Replaces "price."

think that money had risen in value. Now this rise in the value of money is either common to all countries or particular to this. If common to all countries while the price of corn was stationary in this country it would fall in other countries—if it rose in this country it would remain stationary in other countries. The real cause of the variation here is that more labour was required to produce the last portions wanted —no such cause operated abroad and therefore corn would be exported from abroad to this country till the relative prices were restored to the same state at which they were before the worse land [had been][27] taken into cultivation.

Now suppose our demand to increase—to double if you please—the question is can foreign countries supply this additional quantity without taking new land into cultivation. If they can I can see no reason for the rise in the price of their corn, if they cannot it will rise and the result will be a fall of profits in both countries. Now while corn remained at the low price in England commodities could not [fall][28] for the reason already given that if they did agricultural profits would differ from manufacturing profits and capital would move from one to the other. But the demand for foreign corn may be so great that the foreign country may not be able or willing to supply it—they may refuse to accept of any more of the commodities, which alone we can ultimately offer in exchange for them. England however wants the corn and therefore she must consent to export her money for corn. This accumulation of money will raise the price of corn in the foreign country but it will not in the same degree raise the price of English goods and therefore the relation between corn and commodities in the foreign country being no longer the same as before England would have less inducement to buy corn of her.

The exportation of money in England would operate in a reverse order it would [lower both][29] the value of corn and

[27] In pencil; replaces "were."
[28] Replaces "rise."
[29] Replaces "raise."

commodities. Importation then of corn and exportation of commodities would both be checked for they would be more nearly of a value in both countries. If the wants of England for corn were great she would either consent to import it on the new terms, or she would grow it herself; in either case her profits would fall, for if the same or even a less quantity of corn were given to the labourer it would still be a larger proportion of the quantity obtained by a given quantity of labour.

Now these effects are brought about by the limited demand of the foreign country for the commodities which we could give in exchange for corn. Our demand for their corn was not so limited, and in consequence they become possessed of something like a monopoly against us. Profits in all countries must mainly depend upon the quantity of labour given for corn, either when grown on their own land, or embodied in manufacturers and [exchanged for corn][30] with them bought from other countries. I say mainly depend, because I think wages mainly depend on the price of corn. After the observations of Mr. Malthus on the other causes which may affect labour, I must guard myself against being supposed to deny the effect of [those][31] other causes on wages.

The case then put by Mr. Malthus only confirms the general doctrine, it appears clear that what he calls a fall in the price of manufactured goods is in reality an increased labour price of food. I acknowledge the results but I think I have given the fair solution of them.

[page] 330. "What is it, I would ask is to etc."

What is it, that fixes the price of commodities in foreign markets? It cannot be quantity of labour, for commodities with different labour costs sell there for the same price. [But if these prices are determined "as they certainly are," by supply and demand, a larger supply "occasioned by the competition of capital thrown out of employment," will rapidly lower prices, and reduce the rate of profits.]

[30] Deleted.

[31] Inserted.

I answer the cost of production in the foreign country. If England gives [this year][32] to Portugal the same quantity of hardware for wine which she gave last year, she will have an increased profit on that trade if the hardware cost her a great deal less labour and [the labourer be] [32] not more amply [remunerated that] [33] produces it.

[page] 330. "But if they are determined etc."

If the prices of goods in a foreign market are determined by supply and demand "what is to prevent a much larger supply, occasioned by the competition of capital thrown out of employment, from rapidly lowering prices, and with them reducing the rate of profits"?

Because you cannot reduce the profits on agriculture. If corn and labour be at a low [real][34] price the profits on agriculture must be high, and so much also be the profits on all other capitals—for as [Mr. Malthus observes][35] Page 296 "Profits in the same country tend to an equality." See [36]

[page] 330. "If the price of corn"

The millions devoted to permanent agricultural improvements have not lowered profits. If corn had remained at 5% the quarter for the last 25 years, "and the increasing capital of the country had chiefly been applied to the working up of exportable commodities for the purchase of foreign corn, I am strongly disposed to believe that the profits of stock would have been lower instead of higher."

That is to say we should not have imported our corn cheap, for by cheapness I mean a cheap price relatively to the commodities exported. If this be true, we should have preferred growing corn, and profits in that case would be just where they are.

[page] 331. "Mr. Ricardo has not" [37]

Malthus accuses Ricardo of never laying "any *stress* upon the

[32] Inserted.
[33] Replaces "remunerate who."
[34] Inserted.
[35] Replaces "see."
[36] Sic.
[37] In text "never."

influence of permanent improvements in agriculture on the profits of stock, although it is one of the most important considerations in the whole compass of Political Economy." He quotes from Ricardo (ch. vi, p. 133, 2d. edit.) a statement to the effect that "however extensive a country may be, where the land is of a poor quality, and where the importation of food is prohibited, the most moderate accumulations of capital will be attended with great reductions in the rate of profits, and a rapid rise in rent; and on the contrary, a small but fertile country, particularly if it freely permits the importation of food, may accumulate a large stock of capital, without any great diminution in the rate of profits, or any great increase in the rent of land."

Once more I must say that I lay the very greatest stress upon the influence of permanent improvements in agriculture. The passage quoted refers to a state of things when no improvements are taking place, and therefore the argument built upon it which supposes improvements has no foundation.

[page] 333. "And the fall would probably be occasioned, not by a rise in the bullion price of corn in the ports of Europe, but by a fall in the bullion prices of the exports with which the corn was purchased by the country in question."

A country "successful in making permanent improvements on the land" could, in spite of more rapid accumulation of capital than its neighbours, keep up the rate of profit "for hundreds of years," but if it depended on corn imports and kept up the same rate of saving, profits would fall; the fall being due, not to any diminution of corn-prices, but to a diminution in the price of its exports.

The question is one of trifling importance, but I have little doubt that [profits][38] it would be occasioned by a rise in the bullion price of corn, if it [could][38] happened at all. A variation in the value of money is of consequence to individuals, but is insignificant in its effects on the interests of a nation.

[page] 334. "It must be allowed then etc. etc."

[38] Deleted.

In considering the "relation between labour and the produce obtained by it" upon which the rate of profits turns, not only a rise in wages, but also a fall in the price of commodities must be taken into account.

[page] 339. "Wealth, however, it will be allowed, does not always increase in proportion to the increase of value; because an increase of value may sometimes, take place under an actual diminution of the necessaries, conveniences, and luxuries of life."

Chap. VI treats "Of the distinction between wealth and value." In a state of superabundance of all goods "wealth has nothing to do with exchangeable value," but in the actual state of affairs, wealth and exchangeable value, though not the same, are nearly connected. The only way of comparing the degree of wealth which the possession of different objects confers on the owners is to compare the exchangeable value of those things. But wealth and exchangeable value do not necessarily increase together, the latter may rise because the former falls.

This is my opinion but it is absolutely inconsistent with Mr. Malthus' theory. In page 60 he says "What we want further is some estimate of a kind which may be denominated real value in exchange implying the quantity of the necessaries and conveniences of life which those wages, incomes or commodities will enable the possessor of them to command."

In the one passage we are told that value is in proportion to the abundance of [commodities][39] necessaries and conveniences, in the other we are assured that an increase of value may take place under an actual diminution of necessaries and conveniences.

[page] 343. "Mr. Ricardo says"

Market prices determine "all the great movements of society in the production of wealth." These market prices "always express clearly and unequivocally the exchangeable value of commodities at the time and place in which they are exchanged." By "value" or "value in exchange" Malthus does not mean what Ricardo means

[39] Deleted.

by it, in making value depend "exclusively upon the actual quantity of labour employed in production." Ricardo says (ch. xx, p. 343) "That commodity is alone invaluable, which at all times requires the same sacrifice of toil and labour to produce it." Malthus asks what "invariable" here means, Ricardo admitting that "commodities which have cost the same sacrifice of toil and labour will very frequently not exchange for each other."

I have allowed that their market prices may differ, but I say commodities so situated will have the same natural price, and will therefore have a constant tendency to agree in market value also; for natural price is the great regulator of market price.

[page] 352. "But it has already been shewn etc."

Malthus admits that "no permanent and continued increase of wealth can take place without a continued increase of capital," but points to the difficulty of increasing output following an increased saving. Mere consumption by persons productively employed "can never alone furnish a motive to the accumulation and employment of capital," whilst the savers themselves are cutting down their consumption. Will not an increased output have to be sold below cost or at a price which will "greatly diminish both the power and the will to save"?

The consumption and demand, occasioned by the persons employed in producing any particular quantity of wealth, can never be a sufficient motive for producing it, if they are to have the whole of the commodities produced, and are to give for it only the labour which produced it; but suppose they take seven eighths of it, and their employer retains one eighth, with which he can again employ 5 or 10 additional men, who again take seven eighths of the commodities they produce, leaving the employer the power to employ additional labour the following year; cannot such accumulations go on while the land [last cultivated][40] will yield more food than is consumed by the cultivators?—when it will not do that, there is an end on every system to all [cultiva][41] accumulation. But if a society consisted of nothing but landowners,

[40] Inserted. [41] Deleted.

farmers, manufacturers of necessaries, and labourers, accumulation could go on to this point, provided only that population increased fast enough. If capital increased too rapidly for the population, instead of commanding seven eighths of the produce, they might command ninety nine hundredths, [or indeed the whole],[41] and thus there would be no motive for further accumulation. If every man were disposed to accumulate every portion of his revenue but what was necessary to his urgent wants, such a state of things would be produced, for the principle of population is not strong enough to supply a demand for labourers so great as would then exist. But the condition of the labourer would then be most happy, for what can be more prosperous than the condition of him who has a commodity to sell for which there is an almost unlimited demand, while the supply is limited, and increases at a comparatively slow rate. All this is conformable to the general principle which has been often mentioned. Profits would be low because wages [would be][42] high, and would only continue so till population increased and labour again fell.

Mr. Malthus asks "how is it possible to suppose that the increased [quantity of][43] commodities, obtained by the increased number of productive labourers should find purchasers, without [such][44] a fall of price as would probably sink their value below the cost of production, or, at least, very greatly diminish both the power and the will to save? To which I answer that the power and the will to save will be very greatly diminished, for that must depend upon the share of the produce allotted to the farmer or manufacturer. But with respect to the other question where would the commodities find purchasers? If they were suited to the wants of those who would have the power to purchase them, they could not fail to find purchasers, and that without any fall of price.

[41] Deleted.
[42] Replaces "were."
[43] Replaces "number of."
[44] Inserted.

If a thousand hats, a thousand pairs of shoes, a thousand coats, a thousand ounces of gold, were produced, they would all have a relative value to each other, and that relative value would be preserved if they were suited to the wants of the society, whether the greatest portion went to the labourers or to their employers.

If wages are low, only one half [may][45] perhaps be given to the labourers. If high three fourths—but whether in the hands of the masters or [of][46] the men they would not have a different value.

If £500 in money were in the hands of the masters, and 500 hats, 500 qrs. of corn etc. etc. and the remaining quantity in the hands of the workmen, they would have the same relative value, as if £600 money were in the hands of the masters and 600 of every other commodity, [whether the][47] and the remaining quantity in the hands of the workmen. Which of these distributions shall take place depends on the proportions between capital and labour but whichever it may be, no effect can be produced on price, if the commodities be suited to the wants of those who can command them. If they are not it is the interest of the producers to make them so. It follows then, from what I have here said, that if the commodities produced be suited to the wants of the purchasers, they cannot exist in such abundance as not to find a market.

Mistakes may be made, and commodities not suited to the demand may be produced—of these there may be a glut; they may not sell at their usual price; but then this is owing to the mistake, and not to the want of demand for productions. For every thing produced there must be a proprietor. Either it is the master, the landlord, or the labourer. Whoever is possessed of a commodity is necessarily a demander, either he wishes to consume the commodity himself, and then [it][48] no purchaser is wanted; or he wishes to sell it, and purchase some

[45] Replaces "will."
[46] Inserted.
[47] Deleted.
[48] Deleted.

other thing with the money, which shall either be consumed by him, or be made instrumental to future production. The commodity he possesses will obtain him this or it will not. If it will, the object is accomplished, and his commodity has found a market. If it will not what does it prove? that he has not adapted his means well to his end, he has miscalculated. He wants for example cotton goods, and he has produced cloth with a view to obtain them. Either there are cotton goods in the market or there are not—if there are, the proprietor wishes to sell then only with a view to purchase some other commodity—he does not want cloth, but he does want silks, linen, or wine—this at once indicates that the proprietor of cloth has mistaken the means by which to possess himself of cotton goods, he ought to have produced silks, linen or wine; if he had, there would not have been a glut of any commodity, as it is there is certainly a glut of one, namely cloth; and perhaps of two, because the cotton goods may not be required by any other person. But there may be no cotton goods in the market, what then should the person wanting them have produced to obtain them. Why, if there be no commodity with which he can purchase then, which is the most extravagant [supposition],[49] he can instead of producing [cotton][50] cloth which he does not want, produce himself cotton goods which he does want. What I wish to impress on the readers mind is that it is at all times the bad adaptation of the commodities produced to the wants of mankind which is the specific evil, and not the abundance of commodities. Demand is only limited by the will and power to purchase.

Whoever has commodities [to][50] has the power to consume, and as it suits mankind to divide their employments, [individuals][51] will produce one commodity with a view to purchase another;—these exchanges are mutually beneficial, but they are not absolutely necessary, for every man might employ

[49] Replaces "proposition." [50] Deleted. [51] Replaces "they"

his funds, and the labour at his command, in producing the very commodities he and his workmen intended to consume: in which case, there would be no market, and consequently there could be no glut. The division of the produce [is one thing][50] between master and men, is one thing;—the exchanges made between those to whom they are finally awarded, is another.

I have been thus particular in examining this question as it forms by far the most important topic of discussion in Mr. Malthus work. [and in what I think erroneous opinions are advanced with much perseverance in every part of his][50] If his views on this question be correct—if commodities can be so multiplied that there is no disposition to purchase and consume them, then undoubtedly the cure which he hesitatingly recommends is a very proper one. If the people entitled to consume will not consume [the commodities produced, themselves][52] nor cause [them][52] to be consumed by others, with a view to reproduction; [the things which they have power to command][53] If, of the two things necessary to demand, the will and the power to [purchase][54] the will be wanting, and consequently a general stagnation of trade has ensued we cannot do better than follow the advice of Mr. Malthus, and oblige the Government to supply the deficiency of the people. We ought in that case to petition [the King][55] to dismiss his present economical ministers, and to replace them by others, who would more effectually promote the best interests of the country by promoting public extravagance and expenditure. We are it seems a nation of producers and have few consumers amongst us, and the evil has at last become of that magnitude that we shall be irretrievably miserable if the parliament or the ministers do not immediately adopt an efficient plan of expenditure.

[52] Inserted.
[53] Deleted.
[54] Replaces "consume."
[55] Replaces "parliament".

[page] 354. "The great mass of commodities"

The doctrine that there cannot possibly be "a glut of commodities in general," because goods imply a market for one another, appears to Malthus "utterly unfounded." Goods are not always exchanged for goods; "the great mass of commodities is exchanged directly for labour, either productive or unproductive," and *this* mass may fall in value relatively to labour, "just as any one commodity falls in value from an excess of supply, compared either with labour or money."

It is quite true that commodities may exist in such abundance, compared with labour, as to make their value so [to][56] fall, [estimated][56] in labour, as not to afford any inducement to their further production. In that case labour will command a great quantity of commodities. It is this that Mr. Malthus subsequently denies. If Mr. Malthus means that there may be [such][56] a glut of commodities [as to make them ruinously cheap][57] in labour I agree with him, but this is only saying that labour is so high that it absorbs all that fund which ought to belong to profits, and therefore the capitalist will have no interest in continuing to accumulate. [But what will be the situation of the labourer? Will that be miserable?][56]

[page] 354. "In the case"

An increase of saving, leading to increased employment, would increase output, whilst leaving "the number of labourer altogether" the same, and diminish consumption among landlords and capitalists. The effect would be that "commodities would necessarily fall in value, compared with labour, so as to lower profits almost to nothing, and to check for a time further production. But this is precisely what is meant by the term glut, which, in this case, is evidently general not partial."

No one denies this. They would fall in labour value, but not in money value.

[page] 355. "If commodities were only"

If commodities were always directly exchanged against one an-

[56] Inserted. [57] Replaces "estimated."

other, a proportionate all-round increase would not affect their relative value, but if commodities are compared with "the numbers and wants of the consumers," then, if commodities are increased, whilst wants are cut down by "parsimony," the effect must be to produce "a great fall of value estimated in labour," so that the power and will to save would be "strongly checked."

I deny that the wants of the consumers [generally][58] are diminished by parsimony—they are transferred with the power [to consume][58] to another set of consumers. I acknowledge that the power and motive of the capitalist to accumulate would be checked.

Note. I deny and admit as above on the supposition that population does not increase with the same rapidity as the funds [which are][58] to employ it.

[page] 355. "It is asserted that effectual demand"

Effective demand, it is asserted, "is nothing more than the offering of one commodity in exchange for another. But is this all that is necessary to effectual demand?" Malthus argues that the power to command labour might fall, though relative exchange value would not, "and in this case, would the demand for them be effectual? Would it be such as to encourage their continued production? Unquestionably not."

If I give an ounce of gold for a quarter of corn these commodities Mr. Malthus allows are equivalent to each other in exchange. But he asks "may they not [both][58] be so plentiful as not to command more labour, or but very little more than they have cost? Would the demand for them be effectual? Would it be such at to encourage their continued production? I answer with Mr. Malthus, unquestionably not. But is this the subject in dispute? This is merely saying that when labour is exceedingly dear as compared with commodities, profits will be so low as to afford no inducement to accumulate. Who denies this proposition? Mr. Malthus original question was this, If capital is accumulated and a great quantity of commodities produced they will not exchange freely

[58] Inserted.

for each other in the market; [there will be no demand for them.][59] Can any two propositions be more different than these two. Because commodities are so plentiful as not to command much labour, would taxing the people and increasing the expenditure of Government raise profits, the only thing wanted to ensure the continued production of commodities?

[page] 356. "But to fabricate etc."

An increase of demand will follow when a new commodity is introduced, "which, in proportion to the labour employed upon it, is of higher exchangeable value than usual"; because in this case, there is not only increased supply, but better adaptation to wants. But it does not follow that increased saving and increased output necessarily always result in the production of such commodities, especially when preceded by "economy of consumption."

Mr. Malthus talks of "an economy of consumption, and a discouragement to the indulgence of those tastes and wants which are the very elements of demand." The whole [matter in][60] dispute is centered in these fine words. Mr. Say, Mr. Mill, and I say that there will be no economy of consumption no cessation of demand. What is Mr. Malthus' own representation of the state of the case? "Commodities are so plentiful as not to command more labour or but very little more than they cost." But if a great quantity of commodities will command little labour, every labourer will have the power to consume a great quantity of commodities. The will to consume exists wherever the power to consume is. Mr. Malthus proves that this power is not annihilated but is transferred to the labourer. We agree with him and say wherever the power and will to consume exists there will necessarily be demand.

[page] 357. "In this remark I cannot quite agree with him"

Ricardo has maintained [Principles, 2d. ed., ch. xxi, p. 364] that

[59] Inserted. [60] Inserted.

there might be "an universal glut," if "funds for the maintenance of labour increase much more rapidly than population." . . . "If men ceased to consume they would cease to produce." "This admission does not impugn the general principle." To which Malthus adds, as above: "In this remark I cannot quite agree with him."

I indeed say "that of commodities so limited in number there would be an universal glut." But could such a state of things exist? Would [only][61] such a limited number of commodities be produced? Impossible, because the labourers would be glad to consume conveniences and luxuries if they could get them, and in the case supposed to promote the very object of the masters it would be their interest to produce the commodities for which their labourers had the will and power to pay.

[page] 358. "But in this intercourse etc."

Ricardo, James Mill and Say "and their followers" overlook in their reasoning "so general and important a principle in human nature, as indolence or the love of ease." It is assumed that an increase of productive powers, making it possible to add the production of luxuries to that of necessaries, will at once lead generally to increased exchange. "But in this intercourse of mutual gratifications, two things are taken for granted, which are the very points in dispute," viz: "that luxuries are always preferred to indolence, and that the profits of each party are consumed as revenue."

Here again Mr. Malthus changes the proposition. We do not say that indolence may not be preferred to luxuries. I think [it][62] may and therefore if the question was respecting the motives to produce, there would be no difference between us. But Mr. Malthus supposes the motive strong enough to produce the commodities, and then contends there would be no market for them [after they were produced],[63] as there would be no demand for them.

It is this proposition we deny. We do not say the commodities will under all circumstances be produced, but if they are produced we contend that there will always be some who

[61] Inserted. [62] Replaces "things". [63] Inserted.

will have the will and power to consume them, or in other words there will be a demand for them. Mr. Malthus brings forward a case of a [society][64] not accumulating, preferring indolence to luxuries, not demanding labour, not cultivating their land as a proof of the evil effects which would result from the very opposite course; where capital would be accumulated, where activity would take place of indolence, where there would be the greatest demand for labour, and where lands would be made the most productive, for all these are included [in][65] the meaning of the word accumulating. Men will prefer indolence to luxuries! luxuries will not then be produced, because they cannot be produced without labour, the opposite of indolence. If not produced they cannot want a market, there can be no glut of them.

[page] 360. "Upon this principle it is supposed"

The passage continues, "if the richer portion of society were to forego their accustomed conveniences and luxuries" and were to invest their savings "in the production of necessaries," the effect would be a "great increase of cultivation and population. But, without supposing an entire change in the usual motives to accumulation, this could not possibly happen."

The question discussed here is as to the motives for accumulation—that is not the question in dispute, we have spoken only of the effects of [accumulation].[66] There is a very marked distinction between these two questions.

[page] 361. "The very definition"

A landlord, for instance, who spent his rents in employing more labourers on the land, instead of spending them "in conveniences, luxuries and unproductive consumers" would be impoverished by the destruction of the very surplus which was the occasion of his action.

In all this I agree but it is [foreign to][67] the question.

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[64] Replaces "man".
[65] Replaces "under".
[66] Replaces "it".
[67] Replaces "beside".

[page] 363. "And a country such as our own, which had been rich and populous"

Landlords would case to employ more labour out of savings as soon as they "found that they could not realize their increasing produce in some way which would give them a command of wealth in future." Agricultural employment would fall off, population would ultimately decline, and still further diminish the chances of employment on land. The condition, therefore, of good cultivation is "an expenditure which will encourage commerce, manufactures and unproductive consumers," otherwise a once rich and populous country "would, with such parsimonious habits, infallibly become poor, and comparatively unpeopled."

That is to say there being no motive to parsimony and accumulation, with such limited wants, there would be no parsimony and accumulation, and therefore a country with such parsimonious habits would become poor and comparatively unpeopled.

[page] 363. "But by this economy he would disable the manufacturer from purchasing the same amount of his produce."

If the agricultural population, in order to save more, consumed less of the products of the manufacturers, this would destroy part of their own market.

True, but would not the manufacturer's labourers purchase it or something that would be made instead of it?

[page] 365. "There would evidently therefore be a general want of demand, both for produce and population."

If saving by farmers takes the form of cutting off his demand for manufactured products, both manufacturers and agriculturists would find it difficult in the long run to go on saving at all, except in the shape of "common food and common clothing" and this saving must be limited in amount. The very numbers of the manufacturing population depend on agricultural expenditure, for how can manufacturers get food except from farmers? There would be a small manufacturing population only, insufficient to absorb the "proper surplus" of well-cultivate land. "There would evidently therefore be

a general want of demand, both for produce and population." Equilibrium between supply and demand depends on "an adequate passion for consumption"; "a passion for accumulation must inevitably lead" to overproduction.

The specific want would be for population. "It would be of no sort of use," says Mr. Malthus, "to the farmer, to go on cultivating his land with a view merely to give food and clothing to his labourers, if he neither consumed the surplus of what they produced himself, *nor could realize it in a shape that might be transmitted to his descendants.*"[68] What but a deficiency of population could prevent him from realizing it in a shape that might be transmitted to his descendants. I am a farmer possessed of a thousand quarters of corn, and my object is to accumulate a fortune for my family. With this corn I can employ a certain number of men on the land, which I rent, and after paying my rent the first year, realize 1300 qrs. or 300 qrs. profits. The next year if there be plenty of labour in the market, I can employ a greater quantity than before, and my 1300 quarters will become 1700, and so from year to year I go on increasing the quantity till I have made it ten thousand quarters, and if labour be at the same price can command ten times the quantity of it that I could when I commenced my operations. Have I not then accumulated a fortune for my family? have I not given them the power of employing labour in any way they please, and of enjoying the fruits of it? And what is to prevent me doing so but an increase in the price of labour, or a diminution in the productive powers of the land? Of the latter we have already spoken; that necessarily limits all accumulation. Of the increase of [the price of][69] labour I have also spoken; if population did not keep pace with capital, labour would rise, and the quantity of corn which I should annually obtain, instead of increasing in the proportions of 1000, 1300, 1700 and so on, might, by the sacrifices I should be obliged

[68] Quoted loosely from Malthus, *Principles*, p. 364.
[69] Inserted.

to make to obtain the labour required, increase my capital only in the proportions 1000, 1200, 1300, etc. The precise reason then that my accumulation goes on at a slow pace is that there is a scarcity of labour; how then can Mr. Malthus make it appear that "there will be a general want of demand both for produce, and population." Mr. Malthus may indeed say that my operations will increase the quantity of corn faster than it will be required to feed the actual population. I grant it but if my object be accumulation why should I produce corn particularly, why not some other commodity which may be in demand?

[page] 366. "From want of demand, such"

It is a great mistake to think that "the passion for expenditure" and "the passion for accumulation" should be placed on the same footing merely because they both cause a demand for labour. But it may be argued that if the productivity of labour is great and yet it is paid badly, profits must be high [and therefore the temptation to go on saving be unchecked]. But "it is obvious that in the production of any other commodities than necessaries, the theory is perfectly simple. From want of demand, such commodities may be very low in price, and a large portion of the whole value produced may go to the labourer, although in necessaries he may be ill-paid, and his wages, both with regard to the quantity of food which he receives and the labour required to produce it, may be decidedly low."

There is a great desire to accumulate capital. This is the supposition. The consequences according to Mr. Malthus will be, that the labourer "will be ill paid, and his wages both with regard to the quantity of food, which he receives and the labour required to produce it, may be decidedly low." That is to say, I am desirous to accumulate capital from my revenue—if I employ my revenue as capital I shall want labour, the labourer can produce abundantly, and yet he will be ill paid in the commodity which he produces, and to crown the whole I shall not have large profits nor be able to get rich.

[page] 367. "If it be said"

"If it be said, that on account of the large portion of the value of manufactured produce which on this supposition is absorbed by wages, it may be affirmed that the cause of the fall of profits is high wages, I should certainly protest against so manifest an abuse of words. The only justifiable ground for adopting a new term, or using an old one in a new sense, is, to convey more precise information to the reader; but to refer to higher wages in this case, instead of to a fall of commodities, would be to proceed as if the specific intention of the writer were to keep his reader as much as possible in the dark as to the real state of things."

Under the circumstances supposed the labourer would either get a large proportion of the corn produced on the last land, or he would not get a large proportion of the goods made by the manufacturer. The farmer on the last land is a manufacturer of corn, he pays no rent. In whatever proportions [between masters and workmen][69] the produce may be divided, in manufactures, in the same proportions will [the corn][70] be divided, [the produce of agriculture.][69]

Labour cannot be high in one and low in the other, nor profits either. I think labour would be high in both—but Mr. Malthus protests against calling the labourers wages high because he is well remunerated in commodities. Now Mr. Malthus is the last man from whom this objection should come; from him we ought not to have heard that "this is using an old term in a new sense or adopting a new one, and would give the notion that it was the specific intention of the writer to keep [his][71] reader as much as possible in the dark as to the real state of things." I say Mr. Malthus should be the last man to do so because we are told by him that money wages are only nominal wages, that the real wages of labour consist in the abundance of necessaries and conveniences which those wages enable the labourer to command. In fact that it is these conveniences and necessaries which constitute real value, and every thing but them is nominal. I find then

[69] Inserted. [70] Replaces "it". [71] Replaces "the".

that [in][72] the real value the labourer is well paid, and when I say that his wages are therefore high Mr. Malthus gravely tells me I use terms in a new sense which can have no other effect but to mislead and perplex.

Let it not be supposed that I adopt Mr. Malthus' measure on this occasion, wages are high both in his measure and in mine. The labourer will receive a large proportion of the produce, and therefore I say his wages are high. His wages will be high in money, unless money has varied in value, for the same causes [that][73] operate to induce the farmer and manufacturer to give high wages in their commodities, must induce the holder of money to give high wages in his. No sufficient reason is advanced why money, corn, and manufacturers shall alter in relative value.

[page] 367. "Under such circumstances"

If attention is turned to the production of necessaries the case is also clear. Ricardo himself admits that "there may be a limit to the employment of capital upon the land from the limited wants of society, independently of the exhaustion of the soil." In the case supposed, the smallness of the non-agricultural population might result in corn being produced "which would lose the character and quality of wealth."

Corn might be produced which would lose the character of wealth!—it would then be exceedingly cheap; cheap as compared with manufacturers, cheap as compared with labour, and yet Mr. Malthus says that wages might be decidedly low. Low in what? not in corn [his][74] real measure of value. See [357.][75]

[page] 368. "I would observe further"

Further, if farmers then restricted the employment of capital on the land, the fact that outside agriculture they could not employ capital, would lower the average profit as much as "if a general fall had taken place on all their capital."

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[72] Replaces "of".
[73] Replaces "to".
[74] Replaces "the"
[75] In pencil.

The farmers Mr. Malthus says could not employ their capitals in any other way than on the land—I contend that they would employ [them][76] another way [for in that way they would not be productive of profit.][77] Either capitalists or labourers would have the right to demand the produce of labour. What they demanded would be produced.

[page] 369. "If in the process of saving"

If labourers gained what capitalists lost, in the long run there would be no check to the progress of wealth. "But if the conversion of revenue into capital pushed beyond a certain point must, by diminishing the effectual demand for produce, throw the labouring classes out of employment, it is obvious that the adoption of parsimonious habits in too great a degree may be accompanied by the most distressing effects at first, and by a marked depression of wealth and population permanently."

Here the difference between Mr. Malthus and me is fairly stated. The reader must judge [between][78] on which side truth lies.

[page] 369. Note. "Parsimony, or the conversion of revenue into capital may take place without any diminution of consumption," [if the revenue increases first."]

This footnote is appended to a statement that "it is not, of course, meant to be stated that parsimony, or even a temporary diminution of consumption, is not often in the highest degree useful, and sometimes absolutely necessary to the progress of wealth."

I say it always takes place without any diminution of consumption. [Mr. Malthus clogs the proposition with a condition "if the revenue increases first." I do not understand what Mr. M. means:—if the revenue increases first. Before what?][79]

[page] 370. "All that I mean to say is"

The passage continues: "that no nation can *possibly* grow rich

[76] Replaces "it".
[77] Inserted.
[78] Deleted.
[79] Inserted.

by an accumulation of capital, arising from a permanent diminution of consumption; because, such accumulation being greatly beyond what is wanted, in order to supply the effective demand for produce, a part of it would very soon lose both its use and its value, and cease to possess the character of wealth."

By increase of capital from revenue is meant an increase of consumption by productive labourers instead of by unproductive. Consumption is as certain in one case as in the other, the difference is [only][80] the quantity of productions returned.

[page] 371. "But Mr. Ricardo has not been"

Ricardo has not been satisfied "with shewing that the difficulty of procuring the food of the labourer is the only *absolutely necessary* cause of the fall of profits, in which I am ready fully and entirely to agree with him; but he has gone on to say, that there is *no other cause* of the fall of profits in the actual state of things that has any degree of permanence."

Have I not said that profits depend in all cases on wages, and I refer to my chapter on wages with confidence, to shew that I have admitted other causes besides the difficulty of producing food, for high wages [and for periods too][81] of considerable duration.

[page] 372. "Though Mr. Ricardo"

Ricardo ought to have reasoned as Malthus himself did in the "Essay on Population." There it was shown that population might be in excess, "compared with the demand for it and the actual means of supporting it," though "greatly deficient, compared with the extent of territory, and the powers of such territory to produce additional means of subsistence." So, in the case of capital, though it is in most countries deficient compared to the existing population and the territory. "I should say that, where the demand for commodities was not such as to afford fair profits to the producer, and the capitalists were at a loss where and how to employ their capitals to advantage, the saving from revenue to add still more to these capitals would only tend prematurely to diminish the motive to accumulation, and still further to distress the capitalists, with little increase of a wholesome and effective capital."

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[80] Inserted. [81] Inserted.

Here again it is said that capital may be deficient, population abundant, and consequently wages low, and yet that [the employment of][82] capital will not [be attended with][83] fair profits to the producer of commodities.

I should be glad if Mr. Malthus would tell us what he means by low wages in this case. I call wages [in many cases][82] high, though nominally low, if they be paid to a man who will do little or no work.

If I had said that it was desirable to go on accumulating capital when it yielded no profits to the producer, there might have been some foundation for [such][84] this charge. [It is not desirable to the capitalist, but it is never injurious to the country—it would be as reasonable to complain of too much production as of too much air or water.][82]. I say under such circumstances [capital][85] will not be accumulated.

[page] 372. "The first thing wanted"

"The first thing wanted in both these cases of deficient capital and deficent population, is an effective demand for commodities, that is, a demand by those who are able and willing to pay an adequate price for them."

What is here meant by deficient capital? If capital is deficient can any evil arise from accumulating capital [by saving][86] from revenue;—from increasing the thing that is deficient?

Does not Mr. Malthus mean deficient profits on capital? With a deficient capital profits would be high.

[page] 375. "Though it may be allowed"

The laws governing the growth of capital are "not quite so distinct" as those governing the growth of population, though of the same kind: "and it is equally vain, with a view to the permanent increase of wealth, to continue converting revenue into capital, when

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[82] Inserted.
[83] Replaces "afford."
[84] Deleted.
[85] Replaces "it."
[86] Inserted.

there is no adequate demand for the products of such capital, as to continue encouraging marriage and the birth of children without a demand for labour and an increase of the funds for its maintenance."

[We all agree][87] The temptation to increase capital does not arise from the demand for its products, for that never fails; but from the profits arising from the sale of the products.—[from the][87] High wages may totally destroy those profits.

What Mr. Malthus calls a demand for capital I call high profits—capital is not bought and sold, it is borrowed at interest, and a great interest is given when profits are high. Mr. Malthus' language appears to me [in this instance][88] "*new and unusual.*"

[page] 377. "It has been said"

A small population situated unfavourably as regards markets but inhabiting a "rich and extensive inland territory" would not find it worth while to make full use of their opportunities of production. Owners would either not employ labour enough to fully exploit the soil, or, if owing to "motives of humanity," they employed "more than were necessary for the supply of the market," the only effect would be to encourage "indolent habits" which would act as a check upon progress. But, referring to Ricardo [1819 ed., p. 363], "it has been said, that those who have food and necessaries at their disposal will not be long in want of workmen, who will put them in possession of some of the objects most useful and desirable," a statement, adds Malthus, "directly contradicted by experience."

The observation was applied to this country and not to countries only half civilized.

[page] 378. "It is certainly true however"

Though an individual would find it easier to supply himself with conveniences and luxuries in proportion as it is easy for him to procure necessaries, yet this argument cannot be directly applied to nations as an whole—"to infer that the greater is the facility of procuring food, the more abundantly will the people be supplied with conveniences and luxuries would be one among the many rash and false conclusions which are often made from the want of due atten-

[87] Deleted. [88] Inserted.

tion to the change which the application of a proposition may make in the premises on which it rests."

If the labourers wages were high he might do as he pleased —he might prefer indolence or luxuries—but if his wages were low, and profits high, he [has not a choice, he][89] must produce [either][90] conveniences and luxuries for his master [or starve][89] [and their amount and quality would depend on the facility and time which might be required to produce them.][91].

[page] 379. "Few indeed and scanty"

As a matter of fact, the preceding argument depends on the assumption that individuals prefer greater luxury to greater leisure, but society would be badly equipped with luxuries "if those who are the main instruments of their production had no stronger motives for their exertions than the desire of enjoying them." The working classes produce luxuries in order to obtain *necessaries*, if these could be obtained with less labour, then, "instead of more time being devoted to the production of conveniences, there is every reason to think that less time would be so devoted."

Under the present circumstances of England, would not Mr. Malthus think that the situation of the labourer would be improved, if he could produce more necessaries in the same time, and with the same labour. Would he be alarmed at the love of indolence which would be the consequence?

[page] 380. "But in examining the state of unimproved countries"

If the ability to procure necessaries easily governed the proportion of the total labour devoted to the production of luxuries, the proportion ought to be greatest "at an early period of cultivation, when only rich soils are worked." But, in fact, in "unimproved countries" a larger proportion of the population is employed on the land than is so employed in more populous countries where poorer soils have to be resorted to.

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[89] Inserted.

[90] Deleted.

[91] Replaces "if he can with great facility, and in a little time, produce necessaries which he may require."

An argument concerning the skill, state and power of [even][92] the most improved country is answered by a reference to the state of unimproved countries [where they are][93] without skill, and without even a knowledge of the comforts of the commonest conveniences. Is it true that *all* these countries obtain food with great facility? If they have not our improvements, they are without some of our means of producing, with a small quantity of labour. [Is no allowance to be made][92] Mr. Malthus says there is [probably][92] a smaller proportion of the people employed in agriculture in England than elsewhere. This is very possible, and very satisfactory if true, but we must not leave out of consideration the greater number of horses and cattle employed on the land in England; they come under the denomination of labourers, for they are substituted for them, and are supported by provisions like them.*

* To this must be added [the superior][94] machinery employed in England in agriculture.

[page] 381. "This is a very extraordinary fact"

In England the proportion of the agricultural to the non-agricultural population "is less than as two to three," whilst the lowest proportion elsewhere is seven to three. "This is a very extraordinary fact, and affords a striking proof how very dangerous it is, in political economy, to draw conclusions from the physical quality of the materials which are acted upon, without reference to the moral as well as physical qualities of the agents," for England, "with only one or two exceptions, is supposed to have pushed its cultivation the farthest."

Whoever did draw any conclusions from [the] physical quality of the soil,[95] without any consideration of its productiveness, in proportion to the labour employed upon it? Mr. Malthus bestows a great deal of time in endeavoring to refute what has never been advanced. He supposes me to

[92] Deleted.
[93] Inserted.
[94] Inserted.
[95] Replaces "the state of the soil"

have said that profits in all countries depend upon the fertility of the land last taken into cultivation, and he has [used very][96] been at great pains to shew this opinion unfounded.—I never entertained any such opinion, nor do not know who does.

Profits in every country are in proportion [to wages][97] to the productiveness of labour on the last land cultivated,—[provided][98] always that the labourers in each are contented with the same quantity of necessaries; but as this is not the case, as from various causes[99] the recompense for labour varies, profits depend upon the proportion of the whole produce, on the land last cultivated, which must be given to obtain it.

[page] 382. "Among the crowd of countries"

Fertile land certainly enables a large output at a low cost in labour; but, if this facility prevents "the growth of industry and skill," the actual output may be less than that from less fertile land. A man who has only to spend two days a week in obtaining the food of his family, has more time to devote to the production of luxuries than one who requires four days to obtain necessaries, but if the facility of getting food encourages sloth, the first man may have actually fewer luxuries than the second. "Among the crowd of countries" which illustrate these truths, "none perhaps will do it more strikingly than the Spanish dominions in America, of which M. Humboldt[100] has lately given so valuable an account."

Here again Mr. Malthus gives an elaborate proof of what is not disputed. Countries do now [always][1] produce in proportion to their means of producing! Granted. But what inference will Mr. Malthus draw from this?—will he say he is an enemy to giving new facilities to the production of corn in England, because it will make the people indolent

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[96] Deleted.
[97] Deleted.
[98] Replaces "allowing".
[99] Sic.
[100] *Essai Politique sur la Nouvelle Espagne*, tom. iii. l. iv. c. ix. p. 28.
[1] Inserted.

[because][2]—they will [make them][1] lose their taste for luxuries, and will [induce them to][1] be contented with the commonest fare? He must mean this or his argument points at nothing. See the effects of cheap means of production in South America, look at the indolent race of inhabitants in that country. Why are we to look to them, but as an example and a warning, if we listen to the dangerous projects of those who would make corn cheap in this country? My great complaint against Mr. Malthus is that he is constantly departing from the question in dispute. He first [begins by disputing][3] the position whether certain measures will make corn cheap, but before the end of the argument, he is endeavoring to prove that it would not be expedient that it should be cheap, on account of the moral effects which it would have on the people. These are two very distinct propositions.

It has been well said by M. Say that it is not the province of the Political Economist to advise:—he is to tell you how you may become rich, but he is not to advise you to prefer riches to indolence, or [rich][4] indolence to riches.

[page] 383. "That the indolence of the natives"

Malthus quotes descriptive passages from Humboldt depicting the extreme fertility of the soil, and the great wretchedness of the inhabitants destitute of comforts and luxuries, whose "indolence and improvidence" are such that, "even in the necessary article of food" they are not secured from the "effects of unfavourable seasons." Their wretchedness is aggravated by the political situation, but the main cause of the "slow cultivation" is the absence of demand. In the neighborhood of new mines, there is "rapid cultivation" induced by "an animated and effective demand . . . for labour and produce."

This fact respecting the mine shews how little [applicable][5] the whole argument about South America is applicable to England. Indeed it appears to me surprising that it should

[2] Deleted.
[3] Replaces "disputes".
[4] Deleted.
[5] Deleted.

be brought forward in justification of the opinion that both capital and people, may be at the same time redundant in England.

Because I said, in reference to this country, and countries resembling it, "If *I* had food and necessaries at *my* disposal *I* should not be long in want of workmen who would put me in possession of some of the objects most useful or most desirable to me," Mr. Malthus has put the proposition in the most general form and says "It has been said that those who have food and necessaries at their disposal will not be long in want of men, etc. etc." He then refers to South America—endeavors to shew that there are persons there who have food and necessaries at their command but who do not employ workmen, 1st. because they do not want conveniences and luxuries, 2dly. because the workmen have no skill in making them if the want existed, and besides are an indolent race, stimulated to work with great difficulty and 3dly. because the commodity which can be most easily produced has so very confined a market, that there is a perpetual glut of it. Much of this statement respecting South America might be answered—the whole might be shewn to be perfectly consistent with the principles which it is brought forward to overturn, but it is so little applicable to countries [with a dense population][6] abounding in capital, skill, commerce, [and][6] manufacturing [skill][7] industry, and with tastes for every enjoyment that nature, art or science will procure, that it does not require a serious examination.

[page] 389. "Except in the neighborhood"

The main cause of slow cultivation is lack of demand. "Except in the neighbourhood of the mines and near the great towns, the effective demand for produce is not such as to induce the great proprietors to bring their immense tracts of land properly into cultivation, and the population, which, as we have seen, presses hard against the limits of subsistence, evidently exceeds in general the

[6] Inserted. [7] Deleted.

demand for labour, or the number of persons which the country can employ with regularity and constancy in the actual state of its agriculture and manufactures."

To me there appears a direct contradiction in this passage. "The effective demand for produce is not such as to induce the great proprietors to bring their immense tracts of land properly into cultivation." Can nothing be obtained for produce? Cannot labour be had in exchange for it? and may not all riches be obtained by means of labour? Mr. Malthus shall answer [these questions.][8] "The population presses hard against the limits of subsistence, and evidently exceeds in general the demand for labour, or the number of persons which the country can employ with regularity and constancy in the actual state of its agriculture." Here is a country the amount of the fertility of which is almost fabulous and incredible, with a numerous people pressing hard against the means of subsistence—willing to exchange their labour for produce, and yet there is so little demand for produce as not to afford a motive for the cultivation of their lands.

[page] 390. "Among proprietors of this description caprice and indolence might often prevent them from cultivating their lands"

The natives are in many cases short of land. Though desirous of more, the lack of demand for produce and the indolence and ignorance of the would-be cultivators make it doubtful if the rents they could pay would be "equal to what the land would yield in its uncultivated state" as grazing land. A great deal of land is held by a few proprietors, who are not obliged by law to break up their estates, even if they themselves do not cultivate it. Such proprietors might be too indolent and capricious to cultivate their land, though self interest might be expected to produce the desire to cultivate, were it not for "a vicious division of territory."

If so it is not to a want of demand for produce that we must attribute their not being cultivated. "A vicious division of territory prevents the motive of interest from operating so

[8] Replaces "it".

strongly as it ought to do in the extension of cultivation." This I can understand—[but][9] this is not the case in Europe. [but][10] Mr. Malthus said before that the motive of interest did not exist because there was no demand for produce.

[page] 392. "Humboldt[11] observes"

[that] "Les personnes qui ont réfléchi sérieusement sur la richesse du sol Mexicain savent que, par le moyen d'une culture plus soignée, et sans supposer des travaux extraordinaires pour l'irrigation des champs, la portion de terrain déjà défriché pourroit fournir de la subsistance pour une population huit à dix fois plus nombreuse."

Mr. Malthus says "He then adds very justly 'Si les plaines fertiles d'Atalisco, de Cholula and de Puebla ne produisent pas des récoltes plus abondantes, la cause principale doit être cherchée dans le manque des consommateurs.'" Can it be true that in such a country there [is][12] a scanty demand for labour, and a people pressing against the limits of subsistence? See page 389.

[page] 394. "The prominent feature of Ireland is, the power which it possesses and actually exercises, of supporting a much greater population than it can employ, and the natural and necessary effect of this state of things, is the very general prevalence of habits of indolence"

The general thesis "that fertility of soil alone is not an adequate stimulus to the continued increase of wealth" is illustrated by Ireland as well as by Spanish-America. The facility of potato production in Ireland causes "a state of things, resembling, in many respects, countries less advanced in civilization and improvement." Then follows the remark quoted by Ricardo.

That Ireland supports a greater population than she employs may be true, but she does not support a greater than she has the means of employing. Whoever eats, and is in

[9] Inserted.
[10] Deleted.
[11] Tome iii. l. iv. c. ix. p. 89.
[12] Replaces "should".

health, may be made to work if he has no other means of obtaining food. From Mr. Malthus' statement it appears that very little work is done in Ireland, although a great population is supported,—in that country then for the quantity of labour performed a great price is paid—the capitalist has only a [moderate][13] proportion of the produce, and therefore according to my theory profits are not very high;—they are not [high][14] in proportion to the cheapness of food. Mr. Malthus denies this deduction. He contends that landlords and capitalists are the possessors of a great quantity of food and necessaries, and yet have not been able to obtain the objects most useful and desirable to them in return. [Why is][15] Profits do not depend upon quantity, but upon proportions. Why have not capitalists been able to obtain the objects most useful and desirable to them with the quantity of food and necessaries they possess? because in the actual state of skill and industry in Ireland a great quantity of this food, or what is the same [thing][14] the value of a great quantity must be paid for the result of a very moderate degree of skill and industry; and secondly, because the peculiar food and necessaries of Ireland are not of [great][14] value in other countries, and therefore in those countries [they][16] will not exchange for any great quantity of [the][14] skill and industry of other countries. I have [not][14] said that food and clothing which will support 100 men will procure the means of obtaining the same quantity of things useful and desirable in England, Ireland or South America, but I have said that they will procure things useful and desirable according to the state of skill and industry in the [respective][14] countries. If there be no skill in the country, and the commodities produced have no value in other countries, there will be little motive to accumulate capital or if there be skill in the country, and it be very rare and costly,

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[13] Replaces "small."
[14] Inserted.
[15] Deleted.
[16] Replaces "it."

that also may be a [reason][17] why capital [will][18] not be rapidly accumulated. But what have all these suppositions to do with England, the country of which I was particularly speaking?

Is there any want of skill and industry here? Are there no objects useful and desirable to be procured by those who have the means of commanding labour? What limits the ability of those possessed of the means of commanding labour of obtaining these useful and desirable objects, but the price of labour? If it be high, the labourers will have the means of getting a part of these luxuries, if it be low, almost the whole will go to those who have the means of employing them.

In the case of Ireland Mr. Malthus does not estimate its wealth by its power of commanding labour, his standard measure of value, but by the things useful and desirable which this power will enable it to obtain.

What is the use of a measure of value if we never estimate value by it?

[page] 398. "The amount of capital which could be laid out in Ireland etc."

Apart from the indolence of the Irish, which is due in part to the fact that "in almost every part of the island . . . the population of the country districts is greater than the actual business to be done on the land can employ," it might be argued that "it is capital alone which is wanted in Ireland, and that if this want were supplied, all her people might be easily employed." But, though Ireland does suffer from a want of capital, it is doubtful whether an increase of wealth would at once follow an importation of capital. The amount of capital which could be profitably employed in Ireland is limited by the state of foreign markets and the habits of the people, which, so long as they "are such as they are at present . . . must be quite inadequate to take off the products of any considerable mass of new capital."

If Ireland had equal skill in working up commodities with

[17] Replaces "motive." [18] Replaces "is."

other countries, and her labour was really [low],[19] and not nominally low; if a great deal of work could be procured for a very little money, what limit would there be to sales in [the][19] foreign markets. If she sold would she not [also][20] purchase. Might she not successfully compete with all other countries in the goodness and cheapness of her goods? If the mass of the people would but work there would not be any deficiency of home demand. The want of demand only arises from a want of means. As soon as the results of labour were obtained, there would be [not only the][21] desire [to][22] but the means [also][23] of consuming them.

[page] 401. "That the power of supporting labour may often exist to a much greater extent than the will"

Whilst the potential capacity of Ireland "for manufacturing and commercial wealth are prodigious," yet the existing state of Ireland leads "to nearly the same conclusions as that of New Spain" and shews the truth of the propositions of which the above quoted is the first.

This must refer to the capitalist and not to the labourer, and is not I think applicable to Ireland. Is there any capital there unemployed?

[page] 401. "That the necessity etc. etc."

The second truth confirmed by the position of Ireland is "That the necessity of employing only a small portion of time in producing food does not always occasion the employment of a greater portion of time procuring conveniences and luxuries."

Certainly not, if the choice be in the power of the labourers, in which case their wages must be high, or rather they must be paid well for their work. As certainly yes, if labour be low, and the choice be in the power of the capitalists. To

[19] Deleted.
[20] Inserted.
[21] Replaces "a corresponding."
[22] Deleted.
[23] Deleted.

suppose otherwise is to suppose that [much of the][24] capital will be unemployed.

[page] 401. "That the deficiency of wealth etc. etc."

The third truth confirmed is, "That the deficiency of wealth in a fertile country may be more owing to want of demand than to want of capital."

True if wages be really high, not true if they be low.

[page] 401. "And, in general, etc. etc."

The last is, "that the fertility of the soil alone is not an adequate stimulus to the permanent increase of wealth."

True if the people be indolent, be well paid, and be easily satisfied.

[page] 404. "But in withdrawing capital etc."

Labour saving machinery is a clear gain where the market is elastic, for in that case, in spite of the new machines, more labour is required in the industry than before. But the introduction of labour saving machinery is a less clear advantage where the market is inelastic; part of the capital formerly employed must be transferred to other industries, in so transferring it "there is almost always a considerable loss" and so the power of commanding labour is decreased, and therefore unemployment would increase.

It is true that in withdrawing capital from one employment to [place it][25] another, there is generally a considerable loss; but in the case supposed, it can never be equal to the advantage resulting from the discovery of the machine. The individual may suffer but the community benefits. [Suppose that I employed a hundred horses with 10 heavy waggons to convey goods from London to Birmingham, and that each waggon was worth £100, and the 10 £1000. Suppose now that an improvement][26]

It is true that if the whole capital of the country were

[24] Inserted. [25] Sic; inserted. [26] Deleted.

valued either in money or in labour it would be worth less after the improvement than before, but because the capital [can command less labour or rather][27] estimated at the current price of labour, is of less value, we must not therefore infer, with Mr. Malthus, that it will really employ less labour. The power of employing labour does not depend upon the value of the capital, but depends specifically upon the annual quantity of produce which it will yield. I cannot therefore agree with Mr. Malthus that "Though it might yield a greater produce, it would not command the same quantity of labour as before; and unless more menial servants were used many persons would be thrown out of work; and thus the power of the whole capital to command the same quantity of [labour][28] would evidently depend upon the contingency of the vacant capitals being withdrawn undiminished from their old occupations, and finding immediately equivalent employment in others." I understand Mr. Malthus to say this, suppose I had £20000 in a cotton manufactory and that [cotton goods][29] were furnished so cheap by improved machinery that I should think it expedient to quit the trade, there would [not][30] be so much labour employed, unless I could sell all my property in the cotton mill, [and][31] realize my £20000 in money, and then find an equivalent employment for it in some other concern.

Of this £20000—£10000 might consist of machinery, and which it is possible might be utterly useless in any other occupation. It would therefore not be practicable to withdraw more than £10,000. The question it must be remembered is not whether as great a value can be withdrawn, but whether as great a quantity of labour can be employed with the diminished capital. Now it is evident that in that particular trade, the whole quantity of labour employed, was not in proportion to the £20000, but to the £10000. No more

[27] Deleted by pencil.
[28] Replaces "work."
[29] Replaces "cottons."
[30] Inserted.
[31] Replaces "for."

labour could be employed than the £10000 could pay for, [there is no occasion that any less shall be][32] employed after the discovery of the improved machinery. I admit indeed that a profit will be obtained only on £10000, instead of on £20000, by the individual who is obliged to remove his capital, but the question is whether any less quantity of labour will be employed, and whether the community will not be benefited in a greater degree than this individual loses, and on this point I have no need [to use][33] any further arguments to satisfy Mr. Malthus for he admits it,—he acknowledges that the whole capital would yield a greater produce. Now this is the point in which society is chiefly interested, it is desirable that the actual means of enjoyment should be increased, and that in the distribution of those enjoyments a smaller quantity should not fall to the share of the most numerous class of the people. We have seen that the same money capital will be employed in the support of labour, and as the people are not supposed to have increased or diminished they will have the same money wages.

But commodities will altogether be in greater abundance and cheaper, consequently each man's wages will procure him greater enjoyments. I have purposely made my case appear as unfavorable to myself as possible, by supposing that the £10000 in fixed capital, and which under the new circumstances was no longer applicable to the cotton trade, would have no value whatever. If, as it is probable, it could be made useful in any other manufacture, it would still further tend to increase the quantity of produce which would be still more favorable to consumers.

Unless [with labour of the value][34] of £10000 as much cotton goods could be made as were before made with labour of the value of £10000 and fixed capital of the value of

[32] Corrected in pencil, by another hand, to read "and there is no reason why any less be."

[33] Replaces "of."

[34] Replaces "a capital."

£10000, cotton goods could not so fall as to make it expedient to abandon the £10000 fixed capital as totally worthless, for if the price of the cotton goods was enhanced on account of the use of the former machinery £1500—the goods must fall £1500 before it can be [the][35] manufacturers interest to abandon it. When that happens he will only get 15 pct. profit on one of his capitals, which by the supposition he can get by [the][36] employment of his £10000 in any other trade.

Mr. Malthus says "If in order to try the principle we were to push it farther, and to suppose that without any extension of the foreign market for our goods, we could by means of machinery obtain all the commodities at present in use, with one third of the labour now applied, is it in any degree probable that the mass of vacant capitals could be advantageously employed or that the mass of labourers thrown out of work could find the means of commanding an adequate share of the national produce?" I answer, yes: [Suppose][37] three men employed 10 men each, one in the production of shoes, another in the manufacture of stockings, and [the other][38] in the manufacture of cloth, all which commodities were required and consumed in the society. Suppose now that each discovers an improved process, by which they can each produce the same quantity of their respective commodities with the labour of five men, will they not, having each the means of employing the labour of ten men, continue to employ the other five; not indeed in the production of [cloth],[39] shoes, and stockings, but in the production of some out of the numerous commodities which are useful and desirable to man. Would they not obtain, having it in their power so to do, hats, wine, beer, furniture or any other commodities for which they might have a greater inclination?—Mr. Malthus error appears to me to be in thinking that nothing could be done without the extension of

[35] Inserted.
[36] Replaces "any."
[37] Replaces "if."
[38] Replaces "another."
[39] Replaces "hats."

foreign trade. Are we all satiated with our own productions? Would none of us like more and better clothes, an increase of furniture, more carriages and horses, and better and more commodious houses? While we have not too much of these things no facility of production can ever be indifferent to us. "The peasant who might be induced to labour an additional number of hours [might][40] for tea or tobacco might prefer indolence to a new coat." In the case supposed no one would be called on to labour an additional number of hours; he might have the tobacco or tea, [and][41] his new coat without it and if he had nothing more his master would [have].[42] To secure him employment it is only necessary that his master should have the wants, which Mr. Malthus thinks it so difficult to create in the [labourer].[43]

"The trader or merchant, who would continue in his business in order to be able to drink and give his guests claret and champagne, might think an addition of homely commodities by no means worth the trouble of so much constant attention!" He would quit it then, and live on the interest of his funds, which would, nevertheless, be as productively employed, and with as much ardor by his successor, who had not yet obtained a sufficient portion of homely commodities. "Where the amount of the incomes of a country depend in a considerable degree, upon the exertion of labour, activity and attention, there must be something in the commodities to be obtained sufficiently desirable to balance this exertion, or the exertion will cease." This is no doubt true, but there are hundreds and thousands in such a country as this, who [under any degree of improvement that can be contemplated as probable][44] would be happy to furnish the activity and attention necessary to obtain commodities, which to them must be sufficiently desirable, with the funds of others, if entrusted to them for that purpose; even if it should be

[40] Deleted.
[41] Replaces "or."
[42] Inserted.
[43] Replaces "master."
[44] Inserted.

supposed, which I am far from believing, that the objects are not sufficiently desirable to stimulate the exertions of the proprietors themselves [under any degree of improvement that can be contemplated as probable].[45] "Very few indeed would attend a counting house six or eight hours a day, in order to purchase commodities which have no other merit than the quantity of labour which have been employed upon them."

I should not particularly admire the wisdom of such persons, but nothing is more common. From what circumstance [does][45] is it that gold plate, jewellery, and lace derive their great value but from the quantity of labour that has been employed on them? and yet there are those who think no toil too great to obtain them.

[page] 405.

Unless foreign trade extends simultaneously with the extension of labour saving machinery, "there is every reason to fear that the exertions of industry would slacken." Consumers in that case must be desirous of buying more domestic commodities than before, and it is doubtful whether they would, or whether they would not rather prefer more leisure, if they could not get tea or tobacco, claret or champagne.

Mr. Malthus argument is a little contradictory here. You could not find employment for your labourers he says with the capitals disengaged in consequence of the employment of machinery. I expected then that he would have expatiated on the miserable condition of this class and would have opposed [the unlimited use of][46] machinery on that ground; quite the contrary. The condition of the labourer which we are called upon to commiserate is of a different description; he will be balancing in his mind whether [in addition to tea and tobacco][46] he shall prefer [tea, tobacco or][47] a new coat to indolence. The small tenant will not know on what to spend

[45] Deleted.
[46] Inserted.
[47] Deleted.

his surplus produce—and the care of the merchant [or][48] trader will be whether [he can find][49] any market abroad in which he can exchange our home commodities for claret and champagne, for his situation will be so prosperous that nothing less than those refined beverages can stimulate him to continue his usual exertions.

If these are all the sufferings that will be entailed upon us from a want of demand for home commodities, I am prepared to meet them, and care not how soon they begin.

[page] 406. "Still however it is true"

So long as there are incomes to be spent, it may be argued, labour and capital must find employment. But this is a doubtful proposition where the incomes are earned incomes, since their amount depends upon the desirability of the objects to be acquired by their instrumentality. "Still, however it is true that, when a great income has once been created in a country, in the shape of a large mass of rents, profits and wages, a considerable resistance will be made to any essential fall in its value."

In what sense is the word value used here?

[page] 408. "And when to these considerations etc."

Once the taste for luxuries has grown up, a cessation of foreign trade would not mean a cessation of their consumption, but a refinement of domestic production. But though the national income might not fall under such conditions, it could not increase, nor would it probably have reached the same amount, without foreign trade. The mass of English luxury imports are conditioned by the extension of British overseas markets in consequence of the use of machinery. Foreign markets too have stimulated the formation of wealth, and the chances of employment of capital and labour in the machine-using industries. Without the extension of foreign markets the same skill used in the invention of machinery would have had totally different effects on the growth of the national income.

This is merely asserting that considerable advantages have been obtained by the extension of the market for the commodities which we have been enabled to produce with con-

[48] Replaces "and."

[49] Replaces "there be."

siderable facility by the invention and use of machinery, and by the great ingenuity of our people. No remark can be more just, and excepting by Mr. Spence, and a few of his way of thinking, I have never known these advantages to be denied. I at any rate shall not be suspected of undervaluing the benefits of a free trade. Commerce is an interchange of conveniences and luxuries. In proportion as the market is extended, the people of every country are enabled to make the best division of their labour, and the most advantageous use of their exertions. Not only does it enable them to procure [better and cheaper][50] commodities, which, if there be no other means of getting, they can make themselves, [better and cheaper][51] but it furnishes them with the means of getting other commodities, which but for foreign commerce they would never get at all; their climate being unfitted to their production.

The advantages which we have derived from foreign trade then are fully admitted. Improvements in Machinery, with an extensive market abroad, will be much more beneficial to us than improvements without these advantages, for it enables us to devote our time and attention [more][52] exclusively to the manufacture of a commodity in [the making of][50] which we possess superior skill. This is however not the subject in dispute. [What we want to know is whether][53] improvements [can][50] be otherwise than beneficial to us under any circumstances? Mr. Malthus' argument is that they can.

[page] 409. "In carrying on the late war etc. etc."

"In carrying on the late war, we were powerfully assisted by our steam-engines, which enabled us to command a prodigious quantity of foreign produce and foreign labour. But how would their efficacy have been weakened if we could not have exported our cottons, clothes and hardware?"

The advantages from steam engines etc. are in this in-

[50] Inserted.
[51] Deleted.
[52] Inserted, and subsequently deleted.
[53] Replaces "Can."

stance I think exaggerated by Mr. Malthus. The introduction of these cheaper means of manufacturing commodities lowered their price, and consequently we were obliged to give more of them to foreign countries in exchange for a given quantity of their commodities. The advantages then to foreign countries, from our improvements, are, after a very short interval, as great, as those which we derive from them ourselves. They are a common benefit to all the consumers of the commodities who are admitted to buy them.

Supposing that a country discovered very improved machinery by [the means of][54] which she manufactured a commodity which was [made][54] wholly for the foreign market, and none was consumed at home,—in that case the whole advantage of the improvement would be obtained by the foreign country, and none whatever by the country which used and invented the improved machinery—excepting indeed this advantage, that in the distribution of employments, none perhaps enabled her to employ her industry with better effect, as a means of obtaining the foreign commodities which she was desirous of purchasing.

This conclusion cannot I think be denied by those who agree with me that the prices of commodities sink at home, and consequently abroad, in proportion to the facility of producing them.

It is singular that Mr. Malthus who estimates so justly at its value the benefit resulting from the extension of the market, should so much underrate the advantages which would be derived from a free trade in corn. Extension of the market, and free trade, are two names for the same thing, for what can give a greater extension to the market for our cotton goods, cloth, and hardware, than the admitting freely the commodity with which foreign countries can most conveniently purchase them?

[54] Inserted.

[page] 410. "But I would ask, whether there are"

The population and wealth of the great centres of machine-industry have been increasing greatly because of the expansion of the market. But if the development of machinery had been unaccompanied by an expansion of markets, would it be reasonable to assume that the capital and labour thereby displaced could have created "as much exchangeable value in other places as it would have done in Manchester and Glasgow, with an extending market"?

I am one who think that the capital would have been employed elsewhere, and employed at the same rate of profits too, and yet I have no doubt that if the [export of][55] cotton goods was stopped, and we were obliged to employ [the][56] capital [elsewhere][57] absorbed by that trade elsewhere, we should be great sufferers by such an arrangement.

The rate of profits does not depend on foreign trade, but on the returns for labour on the land last cultivated at home, and the distribution of the produce. Suppose these to continue unaltered, and nothing in the change from foreign to home trade can alter [them],[58] profits would continue at the same rate. If before with a capital of £20000 I obtained £2000 pr. ann. profit, I should continue to obtain the same, but with my £2000 I should not be able to command the same quantity of foreign and home made commodities. The whole revenue of the country would be of the same money value, and I should say of the same real value, but as that value would be represented by fewer commodities many of them being enhanced in price there would be fewer enjoyments to be purchased with the same real revenue.

Mr. Malthus and I do not substantially differ on this subject. He thinks that less money profits would be made, commodities remaining at the same price—I think the same money gain would be made but commodities would be enhanced in price. Our [seeming][59] difference proceeds from the different medium in which we estimate value.

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[55] Inserted.
[56] Replaces "that."
[57] Deleted.
[58] Replaces "it."
[59] Inserted.

[page] 411. "Unquestionably"

"Unquestionably any country has the power of consuming all that it produces, however great in quantity; and every man in health has the *power* of applying his mind and body to productive labour for ten or twelve hours of the day. But there are dry assertions respecting the powers of a country, which do not necessarily involve any practical consequences relating to the increase of wealth."

It requires an exertion of some magnitude to apply one's body and mind to productive labour for ten or twelve hours of the day, but no exertion at all to consume what one has before been at the pains of producing. The one gives pain, the other pleasure. How can things so dissimilar be considered as alike?

We should not [it is true][60] perhaps have the wish to consume all of our cotton goods in the case supposed, but the labour which produces them might produce other things which we might be disposed to consume.

[page] 412. "And create a consumption of the same *value*."

There is no "magic" in foreign markets as such. They could be dispensed with "if goods could be produced at home, which would excite people to work as many hours in the day, would communicate the same enjoyments, and create a consumption of the same *value*."

The happiness of a country depends on the quantity of the things which it has to enjoy and not on the "value" of those commodities.

After all it is difficult to understand what Mr. Malthus would wish respecting the use of machinery. The world may be considered as a large country—So considered Mr. Malthus has no objection to the most extensive use of machinery, and in this I agree with him. Where we appear to differ is in this [that][61] I am persuaded that [a people living][62] in the most limited district, which by some accident might never

[60] Deleted by pencil.
[61] Deleted.
[62] Inserted.

have had nor should ever in future have, any commerce with foreign countries, [they][61] would nevertheless derive unmixed advantages from "accumulation of capital, improved fertility of soil, and inventions to save labour["][62]—Mr. Malthus thinks that in many cases these would be disastrous presents to them, they must be accompanied, according to him by demand to make them beneficial. Now as I think that demand depends only on supply, [the][64] [means of obtaining abundance of commodities][65] can never [I think][65] be otherwise than beneficial.

[page] 413. "We have seen that the powers of"

This section deals with "the Necessity of a Union of the Powers of Production with the Means of Distribution, in order to ensure a continued Increase of Wealth." "The powers of production," is the opening argument "to whatever extent they may exist, are not alone sufficient to secure the creation of a proportionate degree of wealth." The full utilization of the productive powers depends on proper distribution.

True; a faulty distribution would have these effects, but what security can you have against it better than that of allowing [every][66] man to produce what he pleases, and to consume the commodity he produces himself, or to exchange it for the produce of other men's labour. His power of demanding commodities must depend on the ability with which he selects the objects he produces.

[page] 414. "In the same manner"

Just as the greatest stimulus to the production of a given commodity is a high market price, or an increase in exchange value, so "the greatest stimulus to the continued production of commodities, taken all together, is an increase in the exchangeable value of the whole mass . . . effected by such a distribution of the actual produce as is best adapted to gratify the existing wants of society, and to inspire new ones."

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[62] Omitted; the quotation is from Malthus' text, p. 413.
[64] Replaces "they."
[65] Inserted.
[66] Replaces "each."

What is meant by [the][67] "an increase in the exchangeable value of the whole mass of commodities, before more labour and capital have been employed upon them"? If it be meant that they are more valuable as compared with labour it is a roundabout way of saying, [either that commodities have risen in value without a corresponding rise of labour or][67] that labour has [positively][67] fallen [in value][68]—As Mr. Malthus measures the value of labour by [commodities and not by their value],[69] whenever from any cause more commodities are given for labour, labour may be said to rise, and whenever fewer commodities are given labour may be said to fall.

[page] 415. "After the means of distribution"

Experience best shows the power of proper distribution in increasing exchange value. The absence of a good road and canal system formerly kept the value of country produce low locally compared with its value in London. "After the means of distribution were facilitated, the price of country produce, and of some sorts of London produce which were sent into the country in exchange for it, rose; and rose in a greater degree than the country produce fell in the London markets, or the London produce fell in the country markets." Consequently the value of the aggregate produce increased, stimulating investment of capital and raising profits.

In the case supposed of a free intercourse between London and the Country—I should say it would be followed by a fall in the value of labour. If corn could be with greater facility conveyed from the country to London its value would fall in London, and as corn is a regulator of the price of labour, labour would probably fall also, and profits would rise.

But why does corn fall in London? because a less quantity of labour is necessary from first to last to grow it and take it there.

The facility of intercourse would lower country produce in

[67] Deleted.

[68] Inserted.

[69] Corrected by pencil so as to read "the quantity of commodities earned by the labourer."

London, and London produce in the country, but country produce would [neither][70] rise [nor fall][71] in the country, neither would London produce in London. Their prices in the places in which they were produced and indeed in all other places would be regulated by their cost of production.*

[*] In cost of production I always include profits at their current rate.

[page] 417. "Whenever there is a great demand for commodities, that is, whenever the exchangeable value of the whole mass will command more labour than usual at the same price, there is the same kind of reason for expecting a general increase of commodities, as there is for expecting an increase of particular commodities when their market prices rise."

A complete understanding of this passage requires mention of the fact that on pp. 415-6, Malthus has been discussing how an increase in the exchange value of the whole output is to be estimated. He comes to the conclusion that the "best practical measure of value" of the output is the "labour, domestic and foreign, which the bullion-price of the produce will command, or the sacrifices which people are willing and able to make of their own or other persons exertions in order to obtain it." General wealth, he adds, "like particular portions of it, will always follow effective demand." Then follows the passage quoted above.

Mr. Malthus, it will be observed, loses no occasion of insisting on the importance of demand, in stimulating countries to exertions, and is always fearful of a deficiency of this invigorating force. It is desirable then to ascertain correctly what meaning he attaches to the word "demand." Here we are told that a great demand for commodities means that the exchangeable value of the mass shall command more labour than usual at the same price.

Suppose I have hats, shoes, stockings, etc. of the value of £1000, and labour to be worth 2/ a day, the mass of my commodities will be worth ten thousand days labour. If labour

[70] Replaces "not." [71] Inserted.

fell to 1/8 a day my commodities would still sell for £1000 but they would command twelve thousand days labour.—According to Mr. Malthus then the demand for my commodities would have increased, and this increased demand would as surely lead to an increased production, as [if][72] an increased market price of a particular commodity would lead to the increased production of that commodity. Instead of calling this an increased demand, and instead of saying that commodities had increased in value, because they would command more labour, merely perhaps because there was a redundant population, for nothing else can make a low commodity price [of labour],[73] if I may be allowed the expression, I should say that commodities remained at the same value and labour had fallen in value, and that in consequence of the fall of labour profits had risen. The demand for commodities would neither be greater nor less, but the masters would have the right to consume more, and the men less. These high profits, might, or might not, lead to further productions, accordingly as the masters accumulated, or spent their increased incomes. When profits are universally high, the temptation to produce an increased quantity of commodities is very different from that which a high market price of a particular commodity affords, for production of that particular commodity.

In the latter case, the high profits can only be obtained by producing that one commodity, in the other high profits are enjoyed by all. It would be a mistake too to suppose that because the commodities estimated in labour were now worth 12,000 days labour instead of 10,000, that therefore [men who would execute][74] 12,000 days labour would be employed —this would be true if all [that][74] the masters [had and all they][74] saved, was employed productively, but that by no means follows. [If a friend in Portugal were to give me a pipe of port worth one thousand days labour, the commodities of the country would be worth 1000 days labour more

[72] Deleted.
[73] Inserted.
[74] Inserted.

than before but if I drank the wine with my family not one additional man would be employed.][76] I never wish to see the exchangeable value of the mass of commodities command more labour than usual "at the same price," for great as I estimate the benefits resulting from high profits I never wish to see those profits increased at the expence of the labouring class. I am sure that Mr. Malthus has the same feeling as myself on this subject, and does not perceive that this is the condition annexed to the increased value of the mass of commodities [without an increase of their quantity].[74] What we should desire is to increase the quantity of commodities [without increasing their value].[74] The mass of commodities may then be of the same money value as before, and if labour falls from 2/–, to 1/8 pr. day, the labourer may be better off, as with 1/8 he may get more than [if][75] he got with 2/– before. The rate of profits will be increased in the same way as before, but it will not be at the expence of the labouring class,—it will follow only from the increased productiveness of labour.

[page] 417. "The clothes and provisions which had cost"

Malthus quotes Ricardo's view (ch. xx. p. 349) that "a certain quantity of clothes and provisions will maintain and employ the same number of men, and will therefore procure the same quantity of work to be done, whether they be produced by the labour of a hundred or of two hundred men; but they will be of twice the value, if two hundred have been employed in their production." But this "would very rarely indeed be true," comments Malthus. "The clothes and provisions which had cost only one hundred days' labour would never, but in the most unnatural state of things, be able to procure the same quantity of work to be done as if they had cost two hundred days labour."

I know it, and am rejoiced at it. If they could, all the advantages would go to profits. It is highly desirable that a part should go to increase the enjoyments of the labourer.

[74] Inserted. [75] Deleted.

[76] Written on slip and replacing "no more than that those who now can earn ten thousand days work are in constant employment and in full work."

[page] 418. "And in the case either of a sudden"

Universal experience contradicts the assumption, implied in Ricardo's argument, "that the price of labour, estimated in necessaries, is the same at all times and in all countries, and does not depend upon the plenty or scarcity of necessaries compared with labour." If productive labour increased, either because more capital was saved, or because the labour became more efficient, "a given portion of necessaries would be quite unable to set in motion the same quantity of labour." If the output fell in value more than it increased in quantity, the increased output of necessaries would not employ the same quantity of labour, and wealth production would be checked.

I am a farmer and produce 100 qrs. of corn of which I give 50 to my labourers. I improve the productiveness of my land without employing more labour, and get 120 qr., and I now give 55 to my labourers. The hatter, the clothier, the shoemaker make the same improvements in their trades, and divide the produce they obtain in the same proportions, between themselves and their labourers. Is not the society enriched? Is it not better off than before? Call value what you please, talk of the rising or falling of commodities, must not the state of the society be improved?

[Can he][77] Mr. Malthus [be right when he][77] says that "By a sudden increase of the productiveness of the same quantity of labour, there is not the slightest doubt that a given portion of necessaries would be quite unable to set in motion the same quantity of labour." To whom will the produce belong? To the masters, or to the workmen. If to the former, they have the power of commanding more labour. If to the latter, although the same quantity of labour should not be employed, the labourers would be in affluence, and with the diminished quantity of labour the masters would be as well off as before. In this case does Mr. Malthus speak of it as an evil that [the same quantity of necessaries][77] a given portion of necessaries would be quite unable to set in motion the same quantity of labour? It is most desirable that it should not.

[77] Deleted.

[page] 418. "Such a decided"

A check to the growth of wealth would follow still more clearly from "a diminished demand for produce, owing to the decline of foreign commerce, or any other cause. Under these circumstances, both the quantity and value of produce would soon be diminished; and though labour, from the want of demand would be very cheap, the capitalists would soon lose both the will and the power to employ it in the same quantity as before."

How erroneous this conclusion appears to me!

[page] 419. "In every case"

No continuous and unchecked increase of wealth can take place, argues M., unless there is "a continued increase in the value of produce estimated in labour," because otherwise "it is obvious that no fresh labour can be set in motion."

I fear I am wearying the reader by so long dwelling on this subject, but Mr. Malthus' assertion here must mean this. If a country doubles its productions of all kinds it will not be more wealthy unless it can command more labour. I should say its profits [might][78] be no higher [in value][79] but they would command double the quantity of enjoyments, [it][80] would be doubly rich.

Mr. Malthus agrees that wealth and value are not the same thing, and yet he here asserts "that a continued increase in the *value* of produce seems to be absolutely necessary to a continued and unchecked increase of wealth." Will not the wealth of a country increase if without any more labour you contrive to double the quantity of commodities?

[page] 419. "It may take place"

An increase in the value of the total output (in terms of command over labour) cannot accompany over-saving. Yet "saving from revenue" is "an absolutely necessary step in the progress of wealth. How then is this saving to take place without producing the diminution of value apprehended?

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[78] Replaces "would."

[79] Inserted.

[80] Replaces "they."

"It may take place, and practically almost always does take place, in consequence of a previous increase of value, or of revenue, in which case a saving may be effected, not only without any diminution of demand and consumption, but under an actual increase of demand, consumption and value during every part of the process."

This is one way undoubtedly.

[page] 421. "The fortune of a country"

Though national wealth may grow less slowly than individual wealth, the growth of both is due to the same fact—savings "which are furnished from increased gains, and by no means involve a diminished expenditure on objects of luxury and enjoyment."

It will however be allowed that an individual may improve his fortune by a diminished expenditure on objects of luxury and enjoyment. Why may not a country do the same?

[page] 421. "Many a merchant has made a"

Individuals may accumulate fortunes though their expenditure "in objects of luxury, enjoyment and liberality" may be increasing all the time.

True, but a brother merchant who avoided an increased expenditure on objects of luxury, enjoyment and liberality with the same profits, would get richer faster than him.

[page] 422. "Perhaps, it will be said"

Malthus guards himself against the charge that he is laying too much stress on distribution and, by measuring "demand by the exchangeable value of the whole produce," exalting gross at the expense of net revenue, and thus favoring extensive cultivation. The exchangeable value of the whole output is increased by economy in labour and the increase of skill, to which two causes may be attributed the "rapid and astonishing increase" in the national wealth, "which has taken place during the last thirty or forty years." But "no description of national wealth, which refers only to neat revenue, can ever be in any degree satisfactory," because it excludes the earnings of the labouring classes, "the most important portion of the society."

Here again demand is measured by the exchangeable value

of commodities. Exchangeable value in what? In labour? Suppose you were to add 20 pct. [in quantity.][81] to all the goods of the country and were by better wages to enable the labouring [class][81] to command all these additional commodities, would you not have increased the value of commodities because the greater quantity will only command the same labour as before? Will there be no increased demand because they can command no more labour, altho' every labourer will have the power and will to demand and consume an additional quantity of commodities. "It is not the interest of the producer to furnish commodities on such terms"; that is no answer, they are furnished, [and by allotting][82] We do not deny that there is no motive in the capitalist to produce commodities which will not command more labour than has been bestowed on their [production],[83] but if he acts contrary to this interest, how does he injure his country? Why doubt the demand and consumption of the commodities produced? Why is it necessary to recommend to this individual not to go on producing? Will not his own interest tell him that he is producing for another to consume? And above all how is taxation to relieve him? Because he has no profits on [a][84] part of his capital, something is to be taken from him, or from the labourer he employs. What relief that should afford him I cannot divine.

[page] 425. "In this respect no doubt a country"

Whilst it would be desirable, in defining national wealth "to include the consideration of disposable produce [=neat revenue?] as well as of actual quantity and value . . . such a definition seems to be in its nature impossible," because arbitrary judgments are involved in balancing increase of disposable produce against diminution of gross produce. The question of how much disposable produce a country has must therefore be a secondary, but important, consideration. "In this respect, no doubt, a country with a fertile territory will have a prodigious advantage over those whose wealth

[81] Inserted.
[82] Deleted.
[83] Inserted.
[84] Replaces "that."

depends almost entirely on manufactures. With the same population, the same rate of profits, and the same amount and value of produce, the landed nation would have much the largest portion of its wealth disposable."

Mr. Malthus says that an agricultural country "with the same population, the same rate of profits, and the same amount and value of produce as a manufacturing country, would have much the largest proportion of its wealth disposable." I ask how they could have the same population, the same rate of profits, and the same amount and value of produce? The amount of the value and produce in the manufacturing country is to be divided between wages and profits—in the agricultural between rent, wages, and profits. If out of an equal value you give the same value to wages and profits in cash, what remains for rent in the agricultural country?

[page] 425. "From what has been here said"

Fortunately as a rule the actions of capitalists in economising labour, leads to an increase in productive power, and thus to an increase in the amount and value of the gross produce. In the footnote to the passage summarised above, he states his disagreement with Ricardo's views as stated in the latter's chapter "On Gross and Net Revenue." The passage, the accuracy of which Ricardo questions in his comment below, runs thus: "I should not hesitate a moment in saying, that a country with a neat revenue from rents and profits, consisting of food and clothing for five millions of men, would be decidedly richer and more powerful, if such neat revenue were obtained from seven millions of men, rather than five, supposing them to be equally well supported. The whole produce would be greater; and the additional two millions of labourers would some of them unquestionably have a part of their wages disposable." But, under such circumstances, a part of the capital would become "redundant and useless." Labour saving devices are only to be welcomed insofar as their tendency is to increase gross produce and "make room for a larger population and a larger capital."

Mr. Malthus says "the additional two millions of men would some of them unquestionably have a part of their wages disposable." Then they would have a part of the neat revenue. I do not deny that wages may be such as to give

to the labourers a part of the neat revenue—I limited my proposition to [the case when wages][85] were too low to afford him any surplus beyond [absolute][86] necessaries. Mr. Malthus has not quoted me correctly. I said, "If five millions of men could produce as much food and clothing as was necessary for ten millions, food and clothing for five millions would be the net revenue. Would it be of any advantage to the country, that to produce this same net revenue seven millions of men should be *required,* that is to say that seven millions should be employed to produce food and clothing for twelve millions? The food and clothing for five millions would be still the net revenue. The employing a greater number of men would enable us neither to add a man to our army and navy, nor to contribute one guinea more in taxes."

"It is not on the grounds of any supposed advantage from a large population or of the happiness that may be enjoyed by a greater number of human beings that Adam Smith supports the preference of that employment of capital, which gives motion to the greatest quantity of industry; but expressly on the ground of its increasing the power of the country" etc. etc.

Mr. Malthus supposed 7 millions not to be required—that is changing my [proposition not refuting it].[87] M. Say has also remarked on this passage, and although I had carefully guarded myself, by the observation, that I was only answering Adam Smith's argument respecting the power of paying taxes etc., and was not considering what was undoubtedly on any other occasion [most worthy of consideration][88] the happiness of so many human beings, yet [M. Say][89] he speaks as if this consideration was wholly unimportant in my estimation—I assure him that he has done me injustice—it was not one moment absent from my mind, nor did I fail to regard it with its due weight.

[85] Replaces "when they."
[86] Inserted.
[87] Replaces "argument."
[88] Inserted.
[89] Deleted.

[page] 426. "In general, an increase of produce"

"In general, an increase of produce and an increase of value go together; and this is that natural and healthy state of things, which is most favourable to the progress of wealth."

It very seldom happens otherwise, all savings made from expenditure and added to capital increase the amount of commodities and at the same time add to the power of commanding labour, Mr. Malthus criterion of increased value. [All improvements in machinery have the same effect.][90] It is barely possible that accumulation might be made so rapidly that the supply of labour should not keep pace with it. In that case the mass of commodities might not command more labour.

[page] 428. "The rapid increase of the United States"

Malthus distinguishes three separate factors "most favourable to that increase of value which depends upon distribution," namely, the "division of landed property," "internal and external commerce," and "the maintenance of unproductive consumers." The United States has greatly benefited "by foreign commerce, and particularly by the power of selling raw produce, obtained with little labour, for European commodities which have cost much labour."

It can be of no consequence to America, whether the commodities she obtains in return for her own, cost Europeans much, or little labour, all she is interested in, is that they shall cost her less labour by purchasing than by manufacturing them herself.

[page] 429.[91] "The difficulty was not so much"

The evil effect of some systems of land distribution are well illustrated by the condition of things in the Middle Ages, when "the difficulty was not so much to inspire the rich with a love of finery, as to break down their immense properties, and to create a greater number of demanders who were able and willing to purchase the results of productive labour."

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[90] Deleted by pencil.

[91] Entire "note" deleted.

What difference could it make whether there was one great demander or a great many small ones? It was not [a want of][92] demanders, but [of][92] producers and accumulators of capital that [was to be complained of][93] were wanted. Objects too on which to expend revenue were required.

[page] 433. "This law has not yet prevailed"

"All the great results in political economy, respecting wealth depend upon *proportions*" and this is particularly true of "the division of landed and other property," where "it is so very obvious that a division to a certain extent must be beneficial, and beyond a certain extent prejudicial to the increase of wealth." In France "a fearful experiment" is being made in the equal division of property at death, though the law "has not yet prevailed long enough to shew what its effects are likely to be on the national wealth and prosperity." But the long-run effects of the law will be bad; if not weakened "by the operation of an extraordinary degree of prudence in marriage" the country at the end of a century, "will be quite as remarkable for its extraordinary poverty and distress, as for its unusual equality of property."

Why should this law occasion so great a subdivision of property? Not only prudence in marriage will counteract it, but the acquisition of wealth, made by each member of the family; [These acquisitions][94] will probably enable him to leave to his children as large a patrimony as he received from his father [. His][95] children [in their turn][96] will be again [inclined and probably][96] enabled to follow their father's example. Is not this practice actually prevailing in England in all families excepting the Aristocratical. Do not all the merchants, bankers, manufacturers, farmers, shopkeepers, etc. etc. divide their property equally amongst their children, and are any of the ill effects, expected by Mr. Malthus, in the case of France, found to proceed from it?

Because the land may be very much subdivided in conse-

[92] Deleted.
[93] Replaces "were wanted," and subsequently deleted.
[94] Replaces "which."
[95] Replaces "which." [96] Inserted.

quence of the apportioning it amongst children, it does not follow, either, that it should be separately cultivated by those children, or that each should continue to be the proprietor of [his original share of][97] it. Sales would be made, and leases would be granted, and as well as a great proprietor now divides his land, into separate farms for the convenience, and advantage of better cultivation, so would various small [contiguous][97] proprietors accumulate their small lots of land into one good farm for the same purpose.

[page] 434. "In this state of things"

Given this system of equality, "with little or none of the natural influence of property to check at once the power of the crown and the violence of the people, it is not possible to conceive that such a mixed government as France has now established can be maintained."

I cannot participate with Mr. Malthus in his fears for the [duration][98] of a free Government, under such a system.

[page] 442. "It is out of this increase that"

"The direct tendency of all internal trade to increase the value of the national produce," a truth the Economists vainly attempted to disprove. If internal trade "did not tend to increase the value of the national produce, it would not be carried on. It is out of this increase that the merchants concerned are paid; and if some London goods are not more valued in Glasgow than in London, and some Glasgow goods more valued in London than in Glasgow, the merchants who exchange the articles in which these towns trade, would neither be doing themselves any good, nor any one else."

Here as well as in many other places Mr. Malthus appears to think that commerce and the exchange of commodities adds greatly to the value of commodities and enables merchant to add to the amount and value of their profits, and further that it is from this source that all the great savings and accumulations are made.

[97] Inserted. [98] Replaces "preservation."

It is undoubtedly true that if ["some of the London goods][99] were not more valued in Glasgow than in London, and some Glasgow goods more valued in London than in Glasgow, the merchants who exchange the articles in which these towns trade, would be neither doing themselves any good nor any one else," [by exchanging them.][100]

But how does this prove that these goods attain any higher value by this exchange or afford any additional profits for capital to the merchants who are concerned in sending them from one place to another?

[By value is meant I presume some][1] Will the mass of goods in the country, in consequence of these exchanges, command more labour, or will they exchange for more of any medium of a known value? The price of hardware in London depends on its cost of production, that is to say it will only be produced on the condition that its price repays all the expenses bestowed upon it, together with the ordinary and general rate of profits. Whether the common and usual demand be for a given quantity, or for ten times that quantity, after an inconsiderable interval, that will be its price. Mr. Malthus [might say that][100] that interval [was one][2] of great importance, and if there be a demand for the commodity, the manufacturer will in that interval obtain great profits, and be able to make valuable savings—I grant it, but at whose expense will these [greater profits][3] be made, and will they add to the value of the mass of commodities? If the ordinary price of a certain quantity of hardware be £100, and in consequence of demand, I am obliged to give £110 for it, the dealer will get larger profits, but who pays them? Mr. Malthus looks only at the manufacturer and would have us believe that he gets larger profits, and no one is the worse for them, and therefore [that][100] they are clear gains to the country.

[99] Replaces "goods of London."
[100] Inserted.
[1] Deleted.
[2] Replaces "which you say is inconsiderable."
[3] Replaces "savings."

But I say the consumer pays [them for][4] one of three things he must do, he must content himself with a less quantity of hardware—he must deny himself the expenditure of £10 on some other commodity which he usually consumed, or if he enjoys the same quantity of commodities as before he is [not][5] enabled to add to his capital from savings by £10 to the amount he used to do. If he saves the £10 from his expenditure he indeed enables the manufacturer of hardware to add £10—to his capital from his increased profits, but the same result would have taken place if by any other means he could have been prevailed [upon][5] to save £10—out of his expenditure, with this difference indeed that in the one case it would be added to his own capital in the other to the capital of the hardware manufacturer.—In both cases the national capital will be increased in value £10.—and more labour can be employed, if it has not risen in value. And here I would just remark that this saving [out][5] of increased gains, which [is][6] the means by which all great fortunes are made according to Mr. Malthus, is a saving really effected by diminished expenditure, a source of saving very much undervalued by Mr. Malthus as will be seen in Page 421 of his work.[6a] But to revert to the subject immediately before us. If the purchaser of hardware purchases the usual quantity of goods he is not enabled to save so much by £10 as before and in this case the saving *may* indeed be made by the hardware manufacturer, but at the expense of the saving of another member of the community and nothing whatever will be added to the national capital. If now you suppose that the demand of the merchant for the Glasgow market does not raise the price of hardware in London, but that he can nevertheless charge a high profit to the Glasgow [consumer][7] for it, I have a similar remark to make. Either he makes only

[4] Replaces "for them."
[5] Inserted.
[6] Replaces "are."
[6a] See above "note" on page —— "Many a merchant, etc."
[7] Replaces "merchant."

the usual and ordinary profits on his stock, or he makes greater profits. If he makes only the usual profits there can be no pretence for saying that he has added any thing by this particular transaction to the Natl. capital. If his profits [are][8] high and above the usual level they can only remain so till other capitalists can be brought to compete with him, and then his profits, and the price of his goods will sink to their natural level. I may be again told that it is during this interval of high profits, that savings are made, and capitals increased—but my answer is the same as before. When the price of hardware sinks in Glasgow to its level price, will the saving made by the purchasers of this article be expended on other things or will it be added to capital. If I am told they will be expended on other things then I acknowledge that the transfer of £10 from the pocket of the consumer to the pocket of the merchant during the season of high profit might be favorable to the accumulation of capital, for I know one to be extravagant and the other may possibly be saving, but here again [the][9] it must be allowed that effects quite as good would have resulted, if by [the][9] lowering the price of goods the consumer had saved £10 from his expenditure, and added it to his capital.

The general profits of a country depend as I have frequently said on the state of wages, when wages are low profits must be high—but the particular profits of a particular set of manufacturers, or a particular set of merchants, must depend, whatever may be the state of wages, on the [relative][10] price which they can charge for their commodities to the consumers.

The natural price of [a certain quantity of cloth][11] a certain quantity of shoes, a certain quantity of hats, etc., we will suppose to be £100. If the owner of the cloth can get £110 for his cloth, it must be at the expence of the consumer, and

[8] Replaces "have only been as high."
[9] Deleted.
[10] Deleted.
[11] Replaces "cloth."

[as][12] these consumers can only purchase this particular commodity, with the commodity of which they are possessed, its rise is the same thing to them as the fall of their commodity. If before the rise, the shoemaker gave half [the quantity of][13] his shoes for half the quantity of the cloth, he must now when the price of cloth has risen to £110 give one tenth more or 55 pct. of his shoes for the same quantity. In all cases then the [excess of][14] profits of a [particular][13] trade are made at the expense of the consumer, and in proportion as it adds to the power of one of increasing his capital, it diminishes the power of another to add to his. When a merchant [makes large profits by][13] selling his goods at a high price, to foreign countries, his profits are profits to the [country][15] of which he is an inhabitant, but they are not less obtained at the expence of the consumer, but in this case the consumer is a foreigner, and the transfer is made from one country to another. [16][From any thing which I have said it must not be inferred that I undervalue the benefits which would result both to Glasgow and London from the interchange of their commodities. I only deny that these benefits would shew themselves in the form of high profits, and increased value. Inasmuch as the labour both of London and Glasgow will be more productively directed, they will both derive advantages from this trade. If Glasgow made the hardware for herself, or London the cotton goods, they would [each][17] obtain less hardware, and cotton goods together, with a given capital.—By the better division of labour, cotton goods will be more cheap in London, and hardware more cheap in Glasgow—the advantage then to both places is not they have any increase of value, but with the same amount of value they are both able to consume and enjoy [an increased][18] quantity of commodities, and if they should have no inclination to indulge

[12] Replaces "if."
[13] Inserted.
[14] Replaces "particular."
[15] Replaces "nation."
[16] Sic.
[17] Replaces "both."
[18] Replaces "greater."

[themselves in the purchase of][19] an additional quantity, they will have increased means of making savings from their expenditure. It cannot be true then "that the value of the revenue will be greater or less, according to the market prices of the commodities produced" for supposing the cost of production of commodities not to alter, the high market value of one really means the low market value of another, for commodities are purchased with commodities, and if the value of cloth is high [estimated][20] in silk, silk must be low estimated in cloth. If the profits of the clothier are high estimated in silk and all other commodities, it is only because a contribution is made to those profits out of the funds of all the consumers of cloth.

[page] 444. "In the distribution of commodities"

"In the distribution of commodities, the circulating medium of every country bears a most important part: and . . . we are much more likely to obscure our reasonings than to render them clearer, by throwing it out of our consideration. It is not easy indeed, without reference to a circulating medium, to ascertain whether the commodities of a country are so distributed as to give them their proper value."

It is of no importance in elucidating correct principles in what medium value is estimated, provided only that the medium itself is invariable. Money—[the][21] corn, labour are all equally good. Mr. Malthus in using money appears to me frequently to mistake the variations of money itself, for the variations in the commodities of which he is speaking. An alteration in the [relative][21] value of money has no effect on the relative value of commodities, for it raises or sinks their price in the same proportion; but it is the alteration in the relative value of commodities, particularly of necessaries, and luxuries, which produce the most important consequences in the view of the Political Economist.

[19] Replaces "in."
[20] Inserted.
[21] Deleted.

[page] 445. "But if the farmer sold his produce"

The specific proof of a bad distribution of "funds for the maintenance of labour" in a country with a circulating medium is "that the whole produce does not exchange for so large an amount of circulating medium as before, and that consequently the producers have been obliged to sell at a great diminution of money profits, or a positive money loss." This is attested by the experiences of the period from the harvest of 1815 to the harvest of 1816, when the money value of raw produce fell one-third. "But if the farmer sold his produce for only two thirds of the price at which he had before sold it, it is evident that he would be quite unable to command the same quantity of capital on his farm as he did the year before. And when afterwards a great fall of money price took place in all manufactured products, occasioned in a considerable degree by this previous fall of raw produce, it is as evident that the manufacturers would be unable to command the labour of the same number of workmen as before."

Whether he would command the same quantity of labour next year, would depend on the price of labour. It is probable that the farmer would be much distressed even if labour fell in some proportion to corn, because his contract with his landlord is to pay him a money rent; this rent remains the same whatever may be the price of produce. If however the farmer can employ less labour, the landlord, if he receive his rent, can employ more. Mr. Malthus thinks that there will be a diminished power to employ labour, and consequently a diminished demand for it—he [allows][22] that the price of corn, the chief article consumed by the labourer, will fall, and yet in his argument he assumes that labour will be at the same price as before. Mr. Malthus adds "And when afterwards a great fall of money price took place in all manufactured products." But why should manufactured products fall? their cost of production is the same as before, and corn falls relatively to them only because corn is abundant,—is cheaply produced, and they are not so. What has happened? an addition to the quantity of corn, an increased quantity of commodities [in fact][23] compared with the whole

[22] Replaces "thinks too." [23] Inserted.

population, and what is to be the result, according to Mr. Malthus? Universal distress to all classes. I can understand why the farmer should be distressed as I have already explained. But every man is not a producer of corn, and under engagements to pay money rents. Suppose wages to fall in proportion to the saving made by the labourer in the purchase of his corn, *he* would still be able to purchase as many manufactured commodities as before—if his wages did not fall, he could purchase more. Every manufacturer himself could purchase more manufactured commodities from other manufacturers. Having less to expend on bread he would have more to expend on other things—the landlord would be in the same situation, and although the demand for manufacturers would undoubtedly be diminished on the part of the agricultural class, it cannot I think be disputed that it would be increased in respect of the other classes—manufactures would not then fall in money price, nor would the manufacturers be unable to command the labour of the same number of workmen as before. If the price of labour fell, they would be able to command more.

[page] 446. "The same, or a greater quantity"

The effect of the fall in the price of raw produce and manufactures is a reduction of the power of employing labour, not compensated by the fact that the power of employing labour by the fixed income receiving class would have increased. The general effects would be similar to those resulting "from the interruption of accustomed communication. The same, or a greater quantity of commodities might be produced for a short time; but the distribution not being such as to proportion the supply in each quarter to the demand, the whole would fall in exchangeable value, and a very decided check to production would be experienced in reference to the whole country."

Mr. Malthus says "the whole would fall in exchangeable *value*" what does this mean? would they fall in money value? Mr. Malthus would answer in the affirmative. I ask then whether this money value would command a greater

quantity of labour. Mr. Malthus says the labouring classes would be thrown out of work—if so, the money value would command more labour than before. Have [they][24] not [the commodities][25] then risen in real value according to Mr. Malthus's definition of real value?

[page] 447. "The clearest principles of Political Economy shew that the profits of stock might be lower for any length of time than the state of the land rendered necessary"

It is illegitimate to assume that whatever is produced will always be "properly distributed and effectively consumed." A fall in the money value of the total output checks production "and if, after labour has adjusted itself to the new level of prices, the permanent distribution of the produce and the permanent tastes and habits of the people should not be favourable to an adequate degree of consumption, the clearest principles of political economy show that the profit of stock might be lower for any length of time than the state of the land rendered necessary," so that there might be a permanent check to production.

On the land last cultivated, and paying no rent, profits could not be lower for any length of time, than the state of the land [and the reward to the workman][26] rendered necessary. There must then be two rates of profit for capital one for capital employed in Agriculture, another for capital employed in Manufactures, and yet [with][27] the one capitalist may freely remove his capital to the employment of the other. Can this be?

[page] 448. "The motives which urge individuals"

Individuals engage in foreign trade for the same reason as they engage in domestic trade, viz.: "an increase in the market price of the local products," and the increase in the profit of individuals resulting from such trade "must be considered as a proportionate increase in the value of the national produce."

See remark 442.

[24] Deleted.
[25] Inserted.
[26] Inserted.
[27] Deleted.

[page] 449. "But as it is so glaring etc."

Malthus quotes from Ricardo's chapter 'On Foreign Trade' the view that an extension of foreign trade cannot "increase the amount of value in a country although it will very powerfully contribute to increase the mass of commodities and therefore the sum of enjoyments." This, argues Malthus, is quite consistent with Ricardo's view of value; but as it is true that a very profitable trade will lead to an unusually large command over "money, labour and commodities," and this of itself may "produce the most important results," a decisive proof is furnished "that the view of exchangeable value, which makes it depend exclusively upon the cost of production, is essentially incorrect, and utterly useless in solving the great phenomena which attend the progress of wealth."

I quite agree with Mr. Malthus that this is the fair criterion by which to judge of the merchants profits, but I contend that they are not clear gain—they are often made at the expence of the savings of some of his fellow citizens.

"If a foreign power says Mr. Malthus [28] [supposes][29] were to send to a particular merchant commodities of a new description which would sell in the London market for fifty thousand pounds, the wealth of that merchant would be increased to that extent; and who I would ask would be the poorer?" That would depend on the nature of the commodities, and on the fund from which these goods were purchased, by the consumers, from the merchants. If they were purchased from that fund which would otherwise have been, saved, and [the commodities so bought were][30] immediately consumed the capital of the country would not be increased by the present—[as before][31] the only consequence would be an increased quantity of enjoyments for that particular year. If they were purchased instead of some other commodity,—that other commodity was given to the merchant [in exchange for the foreign commodity],[30] and employed by him as capital, there would be, on the whole, an increased saving of £50000 in consequence of this present. This case differs in

[28] P. 450.
[29] Deleted.
[30] Inserted.
[31] Deleted.

nothing from the case of Glasgow and London. The accumulation is made in consequence of [diminished expenditure][31] greater savings made out of the annual revenue of the country. You have had £50000—given you which you resolve to save, and add to your capital.

[page] 450. "It appears to me that if the two" [Footnote 1 on p. 450.]

The passage continues "first sentences in Mr. Ricardo's Chapter on Foreign Trade were well founded, there would be no such intercourse between nations."

Mr. Malthus misunderstood me. [If I a clothier][32] I do not mean literally that the commodity imported will be of no more value than the commodity exported—it must at least be so much greater value as to compensate for the labour employed in bringing it in, together with the profits of the merchant for the time his capital was employed, that constitutes in fact the cost of production of that commodity. But the commodity sent out has for the same reasons the same value added to it, and therefore if you have increased the cost of production and the value of one commodity, so also have you increased the cost of production and value of the other. If I send £100 worth of hats which sell for £105 in France, and receive £100 worth of claret which sells for £105 here, it appears as if I gave £100 for £105 and to the French merchant it will appear as if he received £105 for £100, but in fact they both give and receive the same value. The £5 is added to compensate for expences and profits of capital. Any £100 employed at home for the same time, and attended with the same expences of carriage, or expences of any other kind, would equally yield £105. By the foreign trade then we have got a more desirable commodity, but not a more valuable commodity. Am I not then justified in saying that "No extension of foreign trade will immediately increase the

[31] Deleted. [32] Deleted.

amount of value in a country although it will very powerfully contribute to increase the mass of commodities and therefore the sum of enjoyments."

[page] 451. "With regard to labour I would observe"

There is no difference, so far as the effects upon national wealth are concerned, between gifts from abroad "and the unusual profits of a new foreign trade." Both increase the volume and the value of the produce. But since neither population nor money in the country have increased, it might be argued against this view that "the value of the whole produce estimated in labour or money cannot be increased. With regard to labour I would observe that when I speak of the value of the whole produce of a country being able to command more labour than before, I do not mean to refer specifically to a greater *number* of labourers, but to say that it could either purchase more at the old price, or pay the actual labourers higher." With a stationary population, this leads to increased exertion on the part of the labourers, and is a sign and a stimulus of increasing wealth.

Here is a new explanation of Mr. Malthus' measure of real value in exchange. If I wanted to know whether I had a greater value this year than last—I cannot ascertain this fact by a comparison of the number of labourers I could employ last year and the number I [can employ][33] this—[not either by determining whether][34] for I should equally have a greater value if I could command no more labour but paid the actual labourers higher. If I understand this it means, I shall have a greater value if I can exchange my commodities for more of this measure of value—and I shall equally have a greater value if I cannot.

[page] 453. "And altogether no fall will take place in particular commodities, sufficient to prevent a rise in the money price of the whole produce"

As regards the effect of new profitable foreign trade upon money, it is true that insofar as the new imports compete with domestic

[33] Replaces "could command."
[34] Deleted.

products, the value of the latter will fall. But, generally, the velocity of circulation of money will increase, or fresh paper money will be issued without adverse effects on the exchanges and prices of bullion and goods. Apart from the special case mentioned, "no fall will take place in particular commodities sufficient to prevent a rise in the money price of the whole produce."

Suppose we allow this, the question whether the gain of the merchant is a new value, or a value obtained at the expence of the consumers is not hereby determined. Mr. Malthus and I [both][35] allow that an advantage is gained by the introduction of cheap [or desirable][35] foreign commodities, but I say that the whole of it should belong to the consumer and if at any time the merchant enjoys it, it is at the expence of the consumer [and by depriving him of it].[35] With the consumer it must finally rest.

[page] 454. "It appears to me that in almost every case"

Malthus states that he differs from Ricardo's view expressed in the passage "in all cases the demand for foreign and home commodities together, as far as regards value, is limited by the revenue and capital of the country. If one increases, the other must diminish." It is "a matter of unquestionable fact" that when foreign trade is successful "the demand for foreign and home commodities taken together decidedly increases."

If four men have a thousand a year each they cannot spend more than £4000 a year. The more [value they expend on] foreign commodities [they buy],[36] the [quantity[37] of home commodities they can purchase.][36] the less they will have to spend on home commodities. [Observe I say "value they expend"][36] [not quantity bought][38] It will be of immense importance to buy cheap, that is to say [to obtain][39] plenty of commodities for a little value; and inasmuch as foreign trade, and an extensive market, enables them to do this, it is beneficial to the country. Mr. Malthus says "But according

[35] Inserted.
[36] Deleted.
[37] Replaced by "value."
[38] Inserted, and thereafter deleted.
[39] Inserted.

to my view of the subject, the national revenue, which consists of the sum of rents, profits, and wages is at once decidedly increased by the increased profits of the foreign merchant." [The national revenue is][40] Increased! in what? in the [greater][40] quantity [or better quality][40] of consumable commodities; [but not in their greater value].[41] But how does this benefit shew itself? perhaps for a short time in the increased profits of the merchant, but always finally in the cheap value of the foreign commodity. It is precisely the same as in the case of a manufacturer who discovers [an improved][42] machine with which to manufacture his goods. While competition does not fully act upon him, and oblige him to sink the price of his goods to the cost of production, he gets great profits, but finally the advantage of the improvement rests wholly with the consumer.

[page] 454. "It will readily be allowed"

Malthus maintains that demand for all commodities, home and foreign, is limited by revenue and capital together, but profits from foreign trade increase the national revenue, whilst Ricardo regards the national revenue as constant, though the volume of commodities increases. It is important to notice, not only that foreign trade increases the quantity of commodities, but also that "in almost all cases" it produces "an increase in the amount of exchangeable value." If Ricardo's view of foreign trade were correct, then the state of affairs prevailing in 1816 would frequently recur, "when a sudden abundance and cheapness of corn and other commodities from a great supply meeting a deficient demand, so diminished the value of the income of the country, that it could no longer command the same quantity of labour at the same price," with the result that there was great unemployment.

"An increase in the amount of exchangeable value!" in what medium? Are not the common and usual profits of stock [a][43] sufficient stimulus to productive industry?

"So diminished the value of the income of the country

[40] Inserted.
[41] Replaces "in this we agree, the question is whether."
[42] Replaces "a useful."
[43] Inserted.

that [In what medium?][44] it would no longer "command the same quantity of labour at the same price"; the consequence of which was etc. etc." But if commodities fell in price, and would command the same quantity of labour at a lower price, who would suffer by it? Not the employers of labour for with the same quantity of commodities they could command the same labour,—not the labourers for they could command in exchange for their labour the same quantity of commodities, and if either did suffer, a corresponding benefit would be obtained by the other. [This is merely a variation in money.][45]

[page] 455. "Mr. Ricardo always seems to"

The passage continues: "think that it is quite the same to the labourer, whether he is able to command more of the necessaries of life by a rise in the money price of labour, or by a fall in the money price of provisions; but these two events, though apparently similar in their effects, may be, and in general are, most essentially different." When wages increase, whether real wages or nominal wages, it is a sign of such a distribution of wealth as will stimulate progress. When a "general fall in the money price of necessaries" occurs, it is a sign of defective distribution, leading to temporary and perhaps permanent lack of employment.

What are we to say to a system of political economy which at one moment insists that value is measured by the quantity of labour it can command, and at the next moment rejects that measure, and shews its insufficiency. If money wages remain the same, and every commodity on which the labourers wages are expended fall in [value][46] money price, the labourers wages are really increased, [in Mr. Malthus measure of value][47] and, if the amount of commodities be not increased, they must have fallen in [his measure of][47] real value, if labour be the measure of value, because [under these circumstances][47] the same quantity of commodities cannot command the same quantity of [labour].[48] If money wages in-

[44] Deleted.
[45] Inserted.
[46] Deleted.
[47] Inserted.
[48] Replaces "value."

crease, and the price of commodities do not rise, real wages will also increase and in this case too if commodities be not increased in quantity their real value will have fallen: are not these two cases precisely the same? I know Mr. Malthus will say that the rise in the money price of wages will be an indication of an increased quantity of commodities and an increased demand for labour, but the falling price of commodities with stationary money wages will afford no such indication. But he has given [us][49] no proof of this. May not money become more valuable, and in that case would not a falling price of commodities with stationary money wages indicate an increasing demand for labour. Why should commodities fall in price generally from any other cause but that of an increased value of money? I know of no other cause which could produce such an effect except new facilities in the production of them all save only money.

The argument in my chapter on foreign trade is grounded on the supposition which is I believe not disputed that excepting for short intervals of time profits in foreign trade cannot be elevated above [the][50] general rate of profit, and whenever they are I am of opinion, and have given my reasons for [that][51] opinion, that the equalization of profits will be brought about by [a][52] fall in the profits of foreign trade, and not by the general rise of profits in other trades.

During the interval that profits in foreign trade are elevated above general profits, those who are engaged in it will get more and nobody else less, and so far the national revenue will be increased; but as soon as the competition of other capitalists have sunk the profits of foreign trade to the general level of profits [although][53] the national revenue, [though][54] when estimated in money, [will be][55] of less value than before, nothing [will be][56] lost to the country, the ad-

[49] Deleted.
[50] Inserted.
[51] Replaces "my."
[52] Replaces "the."
[53] Inserted.
[54] Deleted.
[55] Replaces "is."
[56] Replaces "has been."

vantage which was before reaped by the merchant [will be][57] now enjoyed by the consumer. The merchant sells at a lower price and gets less profit—the consumer buys at a cheaper price and the saving which he makes is precisely equal [in amount to the profit][58] which was before enjoyed [and is now relinquished][53] by the merchant. But in this interval the whole produce of the country was of greater value. Of a greater market value certainly, but was this attended [with][59] any real advantage to the country, seeing that immediately when it is relinquished it is equally enjoyed by another part of the community? The case is precisely similar to a man who discovers a new machine, and for some time can keep his secret—he will enjoy during that interval, large profits, and the annual revenue of the country will be increased while he sells his goods above their natural price, but will one particle of this advantage be lost when his cheaper mode of producing the commodity is universally known, and the consumer is enabled to gain [an advantage][60] precisely equal [indeed more than equal][53] to that which the particular manufacturer relinquishes? If the larger gains of the foreign merchant, or of the individual manufacturer be desirable, then is it an argument for a general system of monopolies—a system which considers only the profits of capitalists, and is little solicitous about the comforts and advantages of consumers.

[page] 455. "Mr. Ricardo always seems to think"

[Compare summary in preceding "note."]

Mr. Malthus mistakes me. I fully agree with him that an increase in the wages of labour implies full employment to all the labouring classes, but so does a fall in the money price of provisions [without a fall in money wages][61] provided the

[57] Replaces "is."
[58] Replaces "to that."
[59] Replaces "when."
[60] Replaces "in value."
[61] Inserted; "a fall" replaces "an increase."

fall [in the price of provisions][62] is not caused by an accidental glut, but by a cheaper mode of producing provisions. Mr. Malthus' error is in supposing that cheap corn, and cheap commodities, necessarily imply a glut of corn and commodities. We agree that a glut is an evil. It generally implies production without profit, and sometimes without even the return of the capital employed. It arises always I think from a bad selection in the object produced, but cheapness from facility of production, which I think is the only legitimate cheapness, never fails of being attended with the happiest effects, and is as different from a glut, as light is from darkness.

[page] 456. "The reader will be aware"

The passage continues: "that a great fall in the price of particular commodities, either from improved machinery or foreign commerce, is perfectly compatible with a continued and great increase, not only in the exchangeable value of the whole produce of the country, but even in the exchangeable value of the whole produce of these particular articles themselves." Thus the aggregate value of the cotton output has greatly increased, in spite of a fall in price, whilst the value of wine, if made out of grapes grown in English hot houses, "would altogether be worth much less money, and would give encouragement to much less industry than at present."

[These are][63] compatible, but not essential to each [other][64] and in general [do not happen at the][65] same time. The advantage from a cheap price of corn, in consequence of facilities, either of production or importation, would be great, although it may be clearly demonstrated that from the loss of rents the money value of the mass of commodities would fall, and for a time at least, they would not command any great additional quantity of labour.*

* Insert this. And why not? because the demand for labour would be greatly increased without a corresponding

[62] Inserted.
[63] Replaces "It is."
[64] Inserted.
[65] Replaces "does not accompany it."

supply—wages would be high and the condition of the labourer most happy.

[page] 458. "If it could be proved"

Sometimes foreign trade will result in a diminished national (money) income, due to the trade supplying a commodity with an inelastic market. "If this diminished value be estimated in labour, the distress among the labouring classes, and check to the progress of wealth, will continue as long as the diminished value so estimated lasts; and if it could be proved that, under particular circumstances, any species of foreign trade tended permanently to diminish the power of the national produce in the command of domestic and foreign labour, such trade would certainly have the effect of checking permanently the progress of wealth and population."

[Certainly][66] If it could be proved! which I believe it cannot in any case. But may not the national produce have less power in the command of labour, and yet both wealth and population increase? [Suppose with][66] If with the same produce wages were to rise, population would probably increase, and though profits would be diminished, might [they not yet be sufficiently high to allow][67] further savings to be made? and further wealth to be acquired? If from £1000 my profits were reduced to £500, I should nevertheless increase my wealth if I saved £100.

[page] 458. "As the specific and immediate cause"

What is the cause of "general briskness of demand . . . sometimes so very sensibly felt throughout a whole country"? Malthus thinks the direct cause is "such a distribution of the produce, and such an adaptation of it to the wants and tastes of the society as will give the money price for which it sells an increased command of domestic and foreign labour."

[No one can doubt the importance of the commodities produced being well adapted to the general wants as a cause of brickness of trade and the increase of wealth][68]

[66] Deleted.
[67] Replaces "not."
[68] Deleted.

In all cases a good distribution of the produce, and an adaptation of it to the wants and tastes of society are of the utmost importance to the briskness of trade and the accumulation of capital. The want of this is in my opinion the only cause of the stagnation which commerce at different times experiences. It may be all traced to miscalculation, and to the production of a commodity which is not wanted instead of one which is wanted, but in allowing this must we deny the beneficial effects which arise from the fall in the price of commodities [on account of][69] the increased facility of their production? Increase that facility ten fold, yet if the commodities you do produce are well adapted to the wants of the society, they will all be in demand, and if they are not, it only proves that the producers have been mistaken on that point and have not fulfilled the conditions necessary to ensure that briskness of demand, which could not fail to have followed from a more judicious selection of objects.

[page] 459. "In this increase of value etc. etc."

The "most powerful agent" in causing the annual increase in the exchangeable value of the total output of Great Britain between 1793 and 1814 was "the extension of our foreign commerce."

If a nation saves, and employs more labour in production, it will increase the [quantity and][70] value of its products, In such case it is certain that it may increase the value of foreign imports, without any diminution in the value of home commodities. Mr. Malthus could not suppose that I meant to say that the value [and amount][70] of foreign and home commodities might not [increase][70] at the same time [increase].[71]

[page] 460. "I believe the latter never"

There is no instance of a country with increasing "plenty of com-

[69] Replaces "from"; in pencil.
[70] Inserted.
[71] Deleted.

modities," where "the value of the whole produce estimated in domestic and foreign labour was retrograde or even stationary. And of the two ways in which capital may be accumulated, as stated by Mr. Ricardo . . . namely an increase of revenue from increased profits, or a diminished expenditure, arising from cheap commodities" the second "never has been, nor ever will be . . . an effective stimulus to the permanent and continued production of increasing wealth."

I believe, quite the contrary—I believe it is a more powerful stimulus even than that to which Mr. Malthus exclusively refers. Is not this opinion of Mr. Malthus inconsistent with that which he gives in another part of his work on the beneficial effects [to the national wealth][72] which have resulted from [the][73] improvements on the land. How did these operate but by enabling us to make greater savings from expenditure. I know no other way of saving, but saving from unproductive expenditure to add to productive expenditure.

[page] 460. "But what I wish specifically etc. etc."

The specific effect which Malthus desires to emphasize is that an increase in trade, home or foreign, *immediately* increases the national income by increasing profits, and it is this immediate increase in profits which is the fund out of which more labour is employed.

A merchant is possessed of a bale of cotton goods, which he exports, and gets in exchange a pipe and a quarter of wine, he sells the pipe in England for a bale of cotton goods, and retains the quarter pipe for his own profit, and disposes of it as he may think best.

He discovers a new market, and recommences his operation, and for his bale of cotton goods he gets not only a pipe and a quarter of wine, but also [a barrel of][74] 100 lbs. of indigo. If he can still exchange a pipe of wine for a bale of cotton goods [at home],[75] his profits will have increased—instead of a quarter [of][76] a pipe of wine, as before, he will

[72] Inserted.
[73] Deleted.
[74] Deleted.
[75] Inserted.
[76] Deleted.

get that and the indigo besides. But suppose, that as well as four-fifths of his wine, he must also give four-fifths of the indigo for [his][76] the bale of cotton goods, his profits indeed will have fallen to the general level of profits, at which I suppose they were in the first instance, but will not every man who has a bale of cotton goods or goods of an equivalent value gain what he gives up, and have they not precisely the same power of saving which he before had. The question seems to me too clear to be for one moment doubted. Here [is][77] the same quantity in both cases of English and foreign commodities, and why should there be a glut more in one case than in the other? Mr. Malthus never states a specific simple case for the purpose of following it in all its bearings, if he did, we could not differ as we appear to do.

[page] 462. "Taking therefore a very different view"

The closing paragraph of the Section: "Taking therefore a very different view of the effects of foreign commerce on exchangeable value from Mr. Ricardo, I should bring forward the extension of markets as being, in its general tendency, pre-eminently favourable to that increase of value and wealth which arises from distribution."

From what Mr. Malthus has himself said in respect to my opinions he must know that I as well as himself "should bring forward the extension of markets as being, in its general tendency, pre-eminently favorable to that increase of wealth which arises from distribution." Yet his language here would lead his reader to suppose otherwise. I should not say it would increase the value of [such][78] wealth because as the reader knows I measure value by a different medium from Mr. Malthus.

[page] 463. "It has been already shewn"

The previous argument had sought to establish that a "rapid accumulation of capital, or, more properly speaking, a rapid conversion of unproductive into productive labour" would upset the

[77] Replaces "are." [78] Inserted.

equilibrium of supply and demand. The conclusion drawn is that "a country with great powers of production should possess a body of unproductive consumers."

A body of unproductive [labourers][79] are just as necessary and as useful [with a view to future production][80] as a fire, which should consume in the manufacturers warehouse the goods which those unproductive labourers would [otherwise][80] consume.

[page] 464. "What the proportion is"

But "the resources of political economy" are unable to determine what is the right proportion between the productive and unproductive classes. Fertility of soil and the progress of invention are important factors, which enable the proportion of non-producers to increase.

I should find no difficulty to determine. They may be useful for other purposes but not in any degree for the production of wealth.

[page] 465. "With regards to unproductive etc."

[This citation appears to be a misquotation of the opening line of paragraph 1 of p. 465, "with regard to the capitalists" etc.]

Malthus attempts to meet the argument that unproductive consumers are unnecessary, because producers themselves might consume more by admitting that "there might be little occasion for unproductive consumers" if capitalists did in fact consume the whole of their income beyond "what could be beneficially added to their capitals." But, "such consumption is not consistent with the actual habits of the generality of capitalists." Their main object is to accumulate fortunes for the benefit of their families and because business habits interfere with ease of spending.

In what way can a man's consuming my produce, without making me any return whatever, enable me to make a fortune? I should think my fortune would be more likely to be made, if the consumer of my produce returned me an equivalent value.

[79] Replaces "necessaries."
[80] Inserted.

[page] 465. "It has been laid down etc."

It may be argued that wants increase as rapidly as the means of satisfying them; but this is not always true, even in the case of windfall fortunes, and is certainly not true of the "great mass of capitalists" who save "much more rapidly than it would be possible for the national capital to increase, so as to keep up the value of the produce." It follows that "with their actual habits, they could not afford an adequate market to each other by exchanging their general products." If there is no class of unproductive consumers, then, in the long run, the capitalists themselves must either consume more or produce less.

I believe this to be absolutely true, but supposing it false of what advantage can it be to me that another man who returns nothing to me shall consume my goods? How does such a consumption enable me to realize profits? I cannot express in language so strong as I feel it my astonishment at the various propositions advanced in this section. To enable the capitalists to continue their habits of saving says Mr. Malthus "they must either consume more or produce less."

[page] 466. "Mr. Ricardo frequently speaks, as if saving were an end instead of a means"

Malthus comments that even in the case of individuals the final object is "expenditure and enjoyment," and, in the case of national wealth, saving cannot be considered "in any other light than as a means."

Where? I have no recollection of having done so in any one instance.

[page] 467. "If however commodities etc."

Saving "is the means of furnishing an increasing supply for the increasing national wants." But, if "commodities are already so plentiful that an adequate portion of them is not consumed" further savings will lower profits still more and will be "of little use." High profits, on the other hand, are a sign of scarcity of commodities, and a sign that new saving will be beneficial.

How can unproductive consumption increase profits? Com-

modities consumed by unproductive consumers are given to them, not sold for an equivalent. They have no price—how can they increase profits?

Mr. Malthus has defined demand to be the will and power to consume. What power has an unproductive consumer? Will the taking 100 pieces of cloth from a clothiers manufactory and clothing soldiers and sailors with it, add to his profits? Will it stimulate him to produce?—yes, in the same way as a fire would.

[page] 468. "But surely it is a glaring"

Adam Smith's statement that, apart from the desire for food, there is no definite limit to the desire for the comforts of life, is never quite so true as he thought, "But surely it is a glaring misapplication of this statement in any sense in which it can be reasonably understood, to say, that there is no limit to the saving and employment of capital except the difficulty of procuring food? It is to found a doctrine upon the unlimited desire of mankind to consume; then to suppose this doctrine limited in order to save capital, and thus completely alter the premises; and yet still to maintain that the doctrine is true."

The limit is not exactly the difficulty of procuring food, but the difficulty of procuring labour in which the difficulty of procuring food is included—for if you [would][81] came to an end of your power of procuring food you would not long be able to [increase your supply of][82] labour.

[page] 469. "Let a sufficient consumption"

So long as consumption is sufficient to maintain and increase "most effectually" the value of the total output, the only limit to profitable saving is the fertility of the soil. But capital sometimes increases at a rate faster than this ideal rate, and "capital and population may be at the same time and for a period of great length, redundant, compared with the effective demand for produce."

This is all that I contend for. But how capital and population should be both redundant while you can increase the

[81] Deleted.

[82] Replaces "maintain more."

supply of necessaries I am at a loss to conceive. It is a contradiction in terms, it is saying there is a capital unemployed because its owner can not find labourers, and there are people unemployed because there is no one having a capital to employ them.

We might just as well say, bread cannot be sold because there are no purchasers, and [at the same time there are men who are starving and who][83] have the means and the will of purchasing bread [but][84] there is none to be had—both propositions cannot be true.

[page] 469. "The main part of the question"

The "propensity to spend what is actually possessed" is not the main problem; "the main part of the question respecting the wants of mankind, relates to their power of calling for the exertions necessary to acquire the means of expenditure." It is difficult to stimulate wants and thus "second the physical powers of man." One of the motives for spending "eight hours a day in a counting-house" is advancement in rank "and contending with the landlords in the enjoyment of leisure, as well as of foreign and domestic luxuries."

This [is true.][85]. I agree with Mr. Malthus "that the difficulty relates to the power of calling forth the exertions necessary to acquire the means of expenditure." But what is this but saying that a man must produce before he can be entitled to consume, and the difficulty is to induce him to produce—there will be none in inducing him to consume after he has produced.

[page] 471. "But if, from the want etc."

"The desire to realize a fortune as a permanent provision for a family" is the strongest inducement to continued effort; any weakening of this inducement would affect national prosperity. "But if, from the want of other consumers, the capitalists were obliged to consume all that could not be advantageously added to the

[83] Replaces "men are."
[84] Replaces "and."
[85] Replaces "would be true if the."

national capital, the motives which support them in their daily tasks must essentially be weakened, and the same powers of production would not be called forth."

Here Mr. Malthus' anxiety is not about securing consumption, he is afraid only that without it, there will not be sufficient motive for future production. No mischief can arise then immediately from non-consumption but only remotely as weakening the motive to exertion.

[page] 471. "As I have before said"

Capitalists have the power, but not the will "to consume to the necessary extent." The exact contrary is true of labourers; but their "power of consumption" cannot "alone furnish an encouragement to the employment of capital. As I have before said, nobody will ever employ capital merely for the sake of the demand occasioned by those who work for him." These workers must produce a surplus, before capital will be "employed in maintaining them." If this is the case, their consumption will add to the national demand and allow more capital to be employed.

Why not? I may employ [20][86] workmen to furnish me food and necessaries for 25, and then these 25 to furnish me food and necessaries for 30—these 30 again to provide for a greater number. Should I not get rich although I employed capital "merely for the sake of the demand occasioned by those who work for me?"

[page] 472. "It is most desirable etc."

It is desirable, in the interests of "the happiness of the great mass of society" that the "labouring classes should be well paid," but this does not dispense with the necessity for an unproductive class of consumers, since increased consumption by the working classes, by increasing the cost of production, reduces profits and thus the incentive to saving.

Nothing can be more just than the observation "that a great increase of consumption among the working classes must greatly increase the cost of production, it must lower profits, and diminish or destroy the motive to accumulate,

[86] Inserted.

before agriculture, manufacture, and commerce have reached any considerable degree of prosperity." But would the consumption of the unproductive class remedy this. What is the consumption of the productive class over and above labour. What is a reasonable reward for their labour but unproductive consumption,—consumption without an adequate return?

[page] 472. "If each labourer were actually to consume double the quantity of corn which he does at present, such a demand, instead of giving a stimulus to wealth, would probably throw a great quantity of land out of cultivation, and greatly diminish both internal and external commerce."

In continuation of the foregoing.

If it had that effect would it be for any other reason than because one half of this consumption would be unproductive consumption? And yet this is the very consumption that Mr. Malthus thinks so essential to the progress of wealth.

[page] 473. "There is certainly however"

There is little danger that wealth will be diminished by the workers consuming too much, "there is much more reason to fear that the working classes will consume too little for their own happiness, than that they will consume too much to allow of an adequate increase of wealth."

That the labourers will have too little and not too much is indeed the great danger to be apprehended and [if possible][87] guarded against.

[page] 480. "The effect therefore on national wealth"

Having shown that a class of unproductive labourers and consumers is necessary, Malthus then considers "the modes by which they should be supported." The volume of unproductive menial

[87] Inserted.

labour can be left to the "inclinations of individuals": but those who are supported out of the taxes "such as statesmen, soldiers, sailors and those who live upon the interest of a national debt" affect the national wealth differently in different countries, the effect depending "entirely upon the powers of production and upon the manner in which the taxes are raised in each country."

This argument in favour of taxation is quite consistent with Mr. Malthus opinion of the advantages resulting from unproductive consumption.

Mr. Malthus is a most powerful ally of [the Chancellor of the Exchequer].[88]

[page] 488. "And I feel very little doubt"

A class of unproductive consumers being necessary, it is very doubtful whether an extinction of the National Debt would be desirable. Labourers would either be thrown out of work or be employed merely as menial servants by the landlords; capitalists would add the taxes formerly paid to savings, and thus create a glut; and Malthus has "very little doubt that, in five years from the date of such an event," the value of the National Debt would be less than it was before the extinction occurred.

I should think Mr. Malthus must be the only man in England who would expect such effects from such a cause.

[page] 489. "Their specific use in encouraging"

A body of unproductive consumers is necessary. "Their specific use in encouraging wealth is, to maintain such a balance between produce and consumption as to give the greatest exchangeable value to the results of the national industry.

How can they by their consumption give value to the results of the natural industry? It might as justly be contended that [an][89] earthquake which overthrows my house and buries my property, gives value to the national industry.

[page] 489. "It is obviously"

An excess of unproductive labour would reduce the aggregate

[88] Replaces "Mr. Vansittart." [89] Replaces "the."

value of the national output; an excess of productive labour would reduce the value, "from excess of supply. It is obviously a certain proportion between the two which will yield the greatest value, and command the greatest quantity of domestic and foreign labour . . ."

Mr. Malthus often estimates value by the command which it gives us over foreign as well as domestic labour. What have we to do with the quantity or the value of foreign labour. Every foreign commodity is bought with a quantity of our domestic labour, and by that only must we value both home and foreign commodities.

[page] 492. "There might certainly be"

It is important to distinguish two cases of a shortage of capital: a shortage compared with the population and a shortage compared with the demand for it and for the commodities it helps to produce. Only in the second case would the shortage benefit capitalists. A shortage of capital accompanied by a decreased demand would no more benefit capitalists than the working classes are benefitted by a "considerable destruction of people . . . accompanied by a still greater destruction of capital which had kept the wages of labour very low. There might certainly be a great deficiency of population, compared with the territory and powers of the country, and it might be very desirable that it should be greater; but if the wages of labour were still low," to encourage more births would be to encourage "misery and mortality rather than population."

The evils of a redundant population are fully admitted, but no mistake can be greater than to suppose any evils whatever can result from an accumulation of capital. The sole consequences might be an indisposition to accumulate further from the fall of profits, which would arise from the liberal wages which a deficient population could command.

[page] 494. "While these unfavourable changes" [90]

The position of Great Britain is that a falling off of capital has been accompanied by a stagnation of demand, commencing with a fall in the value of agricultural products, which reduces the purchasing power of the agricultural classes and caused foreign markets to be glutted by products formerly sold to these classes. At

[90] In MS. "exchanges."

the same time the war had stimulated the supply of labour, which was increased by the disbanding of the armed forces, causing a general fall in the level of wages.

If the termination of the war, has left the country with a diminished capital and revenue, must not the goods which capital produces have also diminished in quantity? Is not produce now in the same proportion to capital as it was during the war? [How does this account for the low price and glut of commodities?][91]

[page] 495. "Yet this produce though decidedly deficient compared with the population, and compared with past times, is redundant, compared with the effectual demand for it and the revenue which is to purchase it."

"For the four or five years since the war, on account of the change in the distribution of the national produce, and the want of consumption and demand occasioned by it, a decided check has been given to production, and the population, under its former impulse, has increased, not only faster than the demand for labour, but faster than the actual produce"; [then follows the sentence quoted].

Labour is paid by commodities. Commodities are much too abundant for the effectual demand, and yet with these commodities you cannot employ more labour, because they are deficient compared with the population. Is not this saying that commodities are abundant and deficient at the same time?

[page] 497. "But I feel perfectly convinced"

Restrictions on commerce, changes in the value of the currency, limitations upon the import of corn are not the direct causes of the prevailing evils. Malthus is "perfectly convinced that a very considerable portion of these evils might be experienced by a nation without poor land in cultivation, without taxes, and without any fresh restrictions on trade."

So do I, because I feel perfectly convinced, that without those evils, stagnation in trade, after such a war, and with

[91] Inserted.

great temptation to capital to leave a country [where profits are comparatively low][92] will produce [much][93] distress.

[page] 497. "But if upon the principle laid down by M. Say[94] etc."

An isolated country might increase in wealth and population very considerably, assuming it "to indulge in a considerable consumption" and only to save annually" that portion of its revenue which it could most advantageously add to its capital." But if such a country followed M. Say's principle "that the consumption of a commodity is a diminution of demand" and cut down consumption in consequence in order to save more, the "profits of capitalists would soon be reduced to nothing."

How could the society generally slacken their consumption, and add to their capitals? Does adding to capital in any case slacken consumption? Without slackening consumption how could the population be thrown out of work, and be starving?

[page] 498. "These difficulties, at least"

The difficulties of the United States, "a country of extraordinary physical resources," during the period under review, "cannot be attributed to the cultivation of poor land, restrictions upon commerce and excess of taxation."

A country may suffer by restrictions on trade, although it does not impose the restrictions itself.

[page] 500. "This saving is quite natural and proper and forms no just argument against the removal of the tax."

The main difficulty is the "diminution of the whole amount of consumption and demand." Part of the diminished demand is due to increased saving occasioned by remission of taxation. The government formerly employed labour out of the proceeds of the property tax, and now no longer does so, neither do the savers.

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[92] Inserted.

[93] Replaces "great."

[94] Already quoted verbatim by Malthus on p. 363: "un produit consommé ou détruit est un débouché fermé."

If Mr. Malthus' reasoning be correct it forms an irresistible argument against the removal of the tax. Can any conclusion be more at variance with the premises?

[page] 502. "It might every year positively diminish its capital, and render it every year more ruinous to furnish the same supplies."

The increased expenditure during the war period was met out of increased powers of production; for this reason it is doubtful whether the "policy of raising the supplies of a long and expensive war within the year" is really desirable, since a poor country might have to meet such costs out of capital, though a rich country could do so out of increased income.

Do not loans every year positively diminish the capital of the country?

[page] 507. "But if the distribution of wealth"

The only sure remedy for the existing distress is an increase in the exchangeable value of the whole national output; the main factors tending to accomplish this are, "the division of landed property, the extension of domestic and foreign trade and the maintenance of unproductive labourers." But it is inadvisable to interfere with the existing division of land, and therefore any interference with the position of the middle classes, such as a reduction of the national debt, is very questionable wisdom.

How does the national debt *create* the middle classes of society? Must not every holder of stock have been possessed of the same amount of property before he became a stockholder? Would he not then have been in the middle class of society if there had been no national debt? I cannot conceive how the Natl. debt can have *created* any of this class. If again we pay it off, do we annihilate this middle class as Mr. Malthus appears to fear we should do? Will not every stockholder be in possession of a capital after payment of the debt?

[page] 512. "The profits of stock etc."

By working through the three factors mentioned and increasing

the value of the whole output, the rate of profits "may then permanently rise as high as the quality of the soil in cultivation combined with the actual skill of the cultivators will allow." There is a footnote wherein the difference between Ricardo and Malthus is thus expressed: "The great difference between Mr. Ricardo and me on this point is, that Mr. Ricardo thinks profits are *regulated* by the state of the land; I think they are only *limited* by it one way, and that if capital be abundant, compared with the demand for commodities, profits may be low in any degree, in spite of the fertility of the land."

Mr. Malthus is greatly mistaken if he supposes that I contend profits must *always* be high while we have fertile land still in reserve. Profits will be low as I have said a hundred times if wages are high, and wages may be very high, with very abundant resources in land.

[page] 514. "Without a large expenditure on the part of government etc etc."

Many of the mercantile community demand a "free issue of paper" as a remedy for distress. But though such increase of currency may have had good effects during the war, a return to this practice could only temporarily alleviate matters. "Without a large expenditure on the part of the government and a frequent conversion of capital into revenue, the great powers of production acquired by the capitalists, operating upon the diminished power of purchasing possessed by the owners of fixed incomes, could not fail to occasion a still greater glut of commodities than is felt at present; and experience has sufficiently shewn us, that paper cannot support prices under such circumstances."

Here are Mr. Malthus' peculiar opinions fairly avowed.

[page] 516. "Mr. Ricardo applies this passage"

The best guides in determining the right amount of savings are the laws of supply and demand. Ricardo is right in thinking that "motive for accumulation" will diminish with every fall in the rate of profits (the passage cited being *Principles*, ch. vi, p. 127). But, "Mr. Ricardo applies this passage to the final and necessary fall of profits occasioned by the state of the land. I would apply it at all times, throughout all the variable periods which intervene between the first stage of cultivation and the last."

Here again Mr. Malthus has mistaken me and I refer to

his own account of my opinions in Page [326] to shew that this is not my doctrine, but the one which he supposes me without any just ground to hold.

Mr. Malthus never appears to remember that to save is to spend, as surely, as what he exclusively calls spending.

[page] 517. "And in leaving the whole question of saving etc. etc."

Saving is often "a most sacred private duty," but "there is no reason . . . for giving an additional sanction to it, by calling it a public duty. The market for national capital will be supplied, like other markets, without the aid of patriotism." By leaving self-interest to settle the matter, we adhere to the general teaching of political economy.

Who has ever proposed to leave it to any other?

[page] 519. "But the just inference from it is"

It may perhaps be thought that Malthus is in favour of taxation. This is not so. The just inference is, "that taxes should never be imposed, nor to a greater amount, than the necessity of the case justifies, and particularly that every effort should be made, consistently with national honour and security, to prevent a scale of expenditure so great that it cannot proceed without ruin, and cannot be stopped without distress."

But another just inference is that if once laid, they must not be taken off, and it also follows that it would often be wise to impose them. If the people will not spend enough themselves, what can be more expedient than to call upon the state to spend for them? What could be more wise if Mr. Malthus doctrine be true than to increase the army, and double the salaries of all the officers of Government?

[page] 519. "It is like the unnatural"

High taxation and high national expenditure, as a consequence, "operating upon extraordinary powers of production" might perhaps increase the national wealth "in a greater degree than it otherwise would have increased," but the ultimate effects of such taxation

are bad. "It is like the unnatural strength occasioned by some violent stimulant, which, if not absolutely necessary, should be by all means avoided, on account of the exhaustion which is sure to follow it."

But we are under the influence of the stimulant, and are suffering from the folly of discontinuing it. My principles lead to quite opposite conclusions. The annihilation of the national debt either by paying it from the capital of the country, or by refusing to pay the stockholder either principal or interest, would not have the effects generally attributed to them. After the annihilation of the debt we should have no more capital or revenue than before, it would only be differently distributed. Inasmuch as the payment of the debt would relieve us from a great load of taxation, it would diminish the temptation to remove capital from this country, to others, not so burthened. It would relieve us from the army of tax gatherers, revenue officers, and smugglers who are now supported out of the industry of the country, and [which][95] aggravates the evil of the taxes. Many other collateral benefits would result, which it would not be expedient now to enumerate. [Much less be][96]

[95] Inserted.
[96] Deleted.